THE INDUSTRIAL DEVELOPMENT BOARD
OF FENTRESS COUNTY
JUNE 30, 2009

TAMARA L. BECKMAN
CERTIFIED PUBLIC ACCOUNTANT

THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY

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JUNE 30, 2009

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THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS
ROSTER OF MANAGEMENT OFFICIALS AND
THOSE CHARGED WITH GOVERNANCE
JUNE 30, 2009

Mike Stone, Chairman
PO Box 696
Jamestown, TN 38556

Scott Sandman, Vice Chairman
2909 Pickett Park Hwy.
Jamestown, TN 38556

Delilah K. Clark, Sec/Treasurer
PO Box 798
Jamestown, TN 38556

Walter Davis
6103 South York Hwy.
Clarkrange, TN 38553

Thomas B. Duncan
PO Box 100
Jamestown, TN 38556

Steve Rains
500 N. Main Street
Jamestown, TN 38556

Byron Asberry
3125 Rugby Pike
Jamestown, TN 38556

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
The Industrial Development Board of Fentress County
Jamestown, Tennessee

I have audited the accompanying government-wide financial statements and the major governmental fund financial statements of The Industrial Development Board of Fentress County, a component unit of Fentress County, as of and for the year ended June 30, 2009, as listed in the table of contents. These financial statements are the responsibility of The Industrial Development Board of Fentress County's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government-wide and the major governmental fund of The Industrial Development Board of Fentress 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.

The management's discussion and analysis 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. However, management has chosen to exclude this information.

My audit was conducted for the purpose of forming opinions on the government-wide and major fund financial statements. The Schedule of Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 23, 2009 on my consideration of The Industrial Development Board of Fentress County's internal control over financial reporting and on my 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 my 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 my audit.

November 23, 2009
Cookeville, Tennessee

Tamara L. Beckman, CPA

THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2009

Assets			
Current Assets			
Cash	$ 160,343.14		
Certificate of Deposit	23,575.04		
Accounts Receivable	5,000.00		
Total Current Assets		$ 188,918.18	
Fixed Assets			
Land	33,839.05		
Construction in Progress	484,384.03		
Building & Improvements	1,435,137.48		
Office Equipment	5,549.15		
Less: Accumulated Depreciation	(213,361.11)		
Total Fixed Assets		1,745,548.60	
Total Assets			$ 1,934,466.78
Liabilities			
Current Liabilities			
Accounts Payable	195.00		
Notes Payable - Current Portion	72,556.41		
Total Current Liabilities		72,751.41	
Long-Term Debt		242,685.12	
Total Liabilities			315,436.53
Net Assets			
Invested in Capital Assets, Net of Related Debt		1,430,307.07	
Unrestricted		188,723.18	
Total Net Assets			$ 1,619,030.25

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Expenses		
Staffing Services	$ 31,550.00	
Repairs	2,286.98	
Audit	1,750.00	
Advertising	1,598.48	
Legal Fees	385.00	
Dues & Fees	20.00	
Development Planning	3,250.00	
Conferences & Travel	4,113.37	
Depreciation Expense	36,988.27	
Interest Expense	7,983.15	
Total Expenses		$ 89,925.25
Program Revenues		
Rental Income	111,274.97	
Operating Grants & Contributions		
City of Jamestown	5,000.00	
Capital Grants & Contributions		
Fentress County	41,240.00	
Total Program Revenues		157,514.97
Net (Expense) Revenue		67,589.72
General Revenue		
Interest Income	1,190.21	
Total General Revenue		1,190.21
Change In Net Assets		68,779.93
Net Assets, July 1, 2008		1,550,250.32
Net Assets, June 30, 2009		$ 1,619,030.25

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENT

THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY
BALANCE SHEET
JUNE 30, 2009

Assets		
Current Assets		
Cash in Bank	$ 160,343.14	
Certificates of Deposit	23,575.04	
Accounts Receivable	5,000.00	
Total Assets		$ 188,918.18
Liabilities & Fund Balance		
Liabilities		
Accounts Payable	$ 195.00	
Fund Balance	188,723.18	
Total Liabilities & Fund Balance		$ 188,918.18

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENT

THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009

Fund Balance-Balance Sheet		$ 188,723.18
Amount 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 governmental funds.		
Governmental Capital Assets & CIP	$ 1,958,909.71	
Less: Accumulated Depreciation	(213,361.11)	
		1,745,548.60
Long-term liabilities not reported in the fund financial statements		(315,241.53)
Net Assets of Governmental Activities		$ 1,619,030.25

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENT

THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009

Revenues			
Rental Income	$ 111,274.97		
Fentress County	41,240.00		
City of Jamestown	5,000.00		
Interest Income	1,190.21		
Total Revenues			$ 158,705.18
Expenditures			
Operating Expenses			
Staffing Services	31,550.00		
Repairs	2,286.98		
Audit	1,750.00		
Advertising	1,598.48		
Legal Fees	385.00		
Dues & Fees	20.00		
Development Planning	3,250.00		
Conferences & Travel	4,113.37		
Total Operating Expenditures		44,953.83	
Capital Outlay	468,380.96		
Debt Services			
Principal	70,975.53		
Interest	7,983.15		
Total Debt Services		547,339.64	
Total Expenditures			592,293.47
Net Change in Fund Balance			(433,588.29)
Fund Balances, July 1, 2008			638,314.54
Prior Period Adjustment			(16,003.07)
Fund Balances, June 30, 2009			$ 188,723.18

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENT

THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2009

Net Change in Fund Balance		$ (433,588.29)
Amount reported for governmental activities in the Statement of Net Assets are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.		
Expenditures for Capital Assets and CIP	$ 468,380.96	
Less: Depreciation Expense	(36,988.27)	
		431,392.69
Governmental funds report payment of principle on Notes Payable as expenditures and proceeds of new loans as revenue. However, payments of principal and new loans generated are not presented in the Statement of Activities.		
Expenditures of principle payments		70,975.53
Change in Net Assets of Governmental Activities		$ 68,779.93

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENT

THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 – Organization

The Industrial Development Board of Fentress County was incorporated December 27, 1978. The purpose of The Industrial Development Board of Fentress County is to do business as an industrial development corporation as prescribed by Chapter 210 of the Public Act of 1955, as codified in 6-2801, et seg. Tennessee Code Annotated, and as amended by Chapter 222, Public Act of 1959. It is a component unit of Fentress County, Tennessee. The directors are elected by the governing body of Fentress County. It must file a budget with Fentress County each year. Upon dissolution, the title to all funds and properties owned by The Industrial Development Board of Fentress County at that time shall become the property of Fentress County.

Note 2 – Government – Wide Financial Statements

The Government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report the governmental activities of the Industrial Development Board of Fentress County. The governmental activities are reported on the economic resources measurement focus on the accrual basis of accounting.

Note 3- Fund Financial Statements

To ensure observance of limitations and restrictions placed on the use of resources available to the Industrial Development Board of Fentress County, the accounts of the Board are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group. The fund financial statements report using current financial resources measurement focus and the modified accrual basis of accounting. The measurement focus of governmental fund accounting is on expenditures rather than expenses. Most expenditures are measurable and are recorded when the related liability is incurred.

Note 4 - Capital Assets and Depreciation

The Industrial Development Board of Fentress County's property, plant and equipment with useful lives of more than one year are stated at historical cost. The capital assets purchased in the current year are reported in the fund financial statements as expenditures in the current year. Donated assets are stated at fair value on the date donated. The Industrial Development Board of Fentress County generally capitalizes assets that have a cost of over $500 and have a useful life of more than one year.

The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. All capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Note 5 – Cash and Cash Equivalents:
Cash and cash equivalents consist of demand deposits with original maturities of three months or less with local financial institutions. The organization's cash at June 30, 2009 was maintained as follows: The operating fund and the development fund were maintained in separate checking accounts.

Note 6 – Compensated Absences
The Board has no employees; therefore compensated absences are not accrued in the financial statements.

Note 7 – Property, Plant and Equipment
The following is a schedule of property as of June 30, 2009:

Assets Not Depreciated	6-30-08 Balance	Additions	Retirements	6-30-09 Balance
Land	$ 33,839.05	$ --	--	$ 33,839.05
CIP	16,003.07	468,380.96	--	484,384.03
Subtotal	49,842.12	468,380.96	--	518,223.08
Assets Depreciated				
Bldg & Imp.	1,435,137.48	--	--	1,435,137.48
Office Equip.	5,549.15	--	--	5,549.15
Subtotal	1,440,686.63	--	--	1,440,686.63
Total Assets	$1,490,528.75	$ 468,380.96	--	$1,958,909.71

The following is a schedule of accumulated depreciation as of June 30, 2009:

Assets	6-30-08 Accum Depr.	Current Deprec Exp.	Disposals	6-30-09 Accum Depr.
Bldg & Imp.	$173,598.26	$ 35,878.44	<$ -- >	$209,476.70
Office Equip.	2,774.58	1,109.83	< -- >	3,884.41
Total	$176,372.84	$ 36,988.27	< -- >	$213,361.11

Note 8 – Cash in Bank
The Tennessee Government Code requires Tennessee banks and savings and loan associations to secure a governmental entity's deposits by pledging government securities as collateral. The market value of pledged securities must equal 105% of the entity's deposits. The entity may waive collateral requirements for deposits that are fully insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) or Savings Association Insurance Fund (SAIF).

At June 30, 2009, the carrying amount of The Industrial Development Board of Fentress County's cash deposits was $183,918.18. All cash deposits are covered by the Federal Deposit Insurance Corporation up to the limit of $250,000.00. The Board is authorized to deposit and invest funds according to the provisions of Section 5-8-301 of the Tennessee Code Annotated. [Acts 1992, ch. 891, section 10].

Note 9 – Prior Period Adjustment

A prior period adjustment was made on the Fund statement of revenues, expenses and changes in fund balance in the amount of $16,003.07 which had been reported in the prior year as construction in progress and should have been reported as expense.

Note 10 – Budget

The director of the Industrial Development Board of Fentress County and staff compile the budget. It is then brought before the city and county for approval. Changes made by the city or county are not reflected in the budget. This is a non-appropriated budget used for guidance only and is not legally binding.

Note 11 - Risk

The Industrial Development Board of Fentress County maintains general liability and property insurance on Buildings. There have been no claims or settlement that exceeded coverage during the prior three years.

Note 12 - Chamber

The Fentress County Chamber of Commerce provides staffing services for The Industrial Development Board of Fentress County and is reimbursed on a quarterly basis. The total amount of staffing expense for the year ended June 30, 2009 was $31,550.00.

Note 13 – Loans

At June 30, 2009 there was a loan outstanding to Volunteer Electric Cooperative in the amount of $ 138,194.38. This is a non interest-bearing loan with monthly payments of $2,763.89 beginning October 15, 2004. The following is a schedule of long-term debt payments for Volunteer Electric Coop.

Due Date	Principal	Balance
Balance 6-30-09		138,194.38
6-30-10	33,166.68	105,027.70
6-30-11	33,166.68	71,861.02
6-30-12	33,166.68	38,694.34
6-30-13	33,166.68	5,527.66
6-30-14	5,527.66	--

The Board also had a loan outstanding to First Volunteer Bank in the amount of $177,047.15. The monthly payment is $3,812.89 and the interest rate is 4.00%. The loan is due on November 30, 2019. Yearly payments of long-term debt are as follows:

Year	Payment	Principal	Interest	Balance
06/30/09				177,047.15
06/30/10	45,754.68	39,389.73	6,364.95	137,657.42
06/30/11	45,754.68	40,994.53	4,760.15	96,662.89
06/30/12	45,754.68	42,664.71	3,089.97	53,998.18
06/30/13	45,754.68	44,402.94	1,351.74	9,595.24
06/30/14	9,653.34	9,595.24	58.10	--

Note 13 – Loans (continued)
A schedule of changes in long-term debt is as follows:

Description	6-30-08 Balance	Additions	Principal Payments	6-30-09 Balance
VEC Loan	$ 171,361.06	$ --	$ 33,166.68	$ 138,194.38
FVB Loan	214,856.00	--	37,808.85	177,047.15
Total	$ 386,217.06	$ --	$ 70,975.53	$ 315,241.53

THE INDUSTRIAL DEVELOPMENT BOARD
OF FENTRESS COUNTY

SUPPLEMENTARY INFORMATION

JUNE 30, 2009

THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009
(unaudited)

	Budget	Actual	Variance
Revenues			
Rental Income	$ 109,272.00	$ 111,274.97	$ 2,002.97
Fentress County	41,240.00	41,240.00	-
City of Jamestown	5,000.00	5,000.00	-
City of Allardt	500.00	-	(500.00)
Interest Income	-	1,190.21	1,190.21
Total Revenue	156,012.00	158,705.18	2,693.18
Expenditures			
Operating			
Staffing Services	32,325.00	31,550.00	775.00
Repairs	5,000.00	2,286.98	2,713.02
Audit	1,750.00	1,750.00	-
Advertising	5,000.00	1,598.48	3,401.52
Legal Fees	2,000.00	385.00	1,615.00
Dues & Fees	1,000.00	20.00	980.00
Development Planning	79,600.00	3,250.00	76,350.00
Conferences & Travel	9,000.00	4,113.37	4,886.63
Total Operating Expenditures	135,675.00	44,953.83	90,721.17
Capital Outlay	513,802.00	468,380.96	45,421.04
Debt Services			
Principal	70,976.00	70,975.53	0.47
Interest	7,984.00	7,983.15	0.85
Total Debt Services	78,960.00	78,958.68	1.32
Total Expenditures	728,437.00	592,293.47	136,143.53
Net Change in Fund Balance	(572,425.00)	(433,588.29)	138,836.71
Fund Balance, July 1, 2008	634,517.21	638,314.54	3,797.33
Prior Period Adjustment	-	(16,003.07)	(16,003.07)
Fund Balance, June 30, 2009	$ 62,092.21	$ 188,723.18	$ 126,630.97

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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 of the
The Industrial Development Board of Fentress County
Jamestown, Tennessee

I have audited the accompanying government-wide financial statements and the major governmental fund financial statements of The Industrial Development Board of Fentress County, a component unit of Fentress County, as of and for the year ended June 30, 2009, and have issued my report thereon dated November 23, 2009. I conducted my 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 my audit, I considered Fentress County Industrial Development Board's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Fentress County Industrial Development Board's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Fentress County Industrial Development Board's 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 Fentress County Industrial Development 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 Fentress County Industrial Development Board's financial statements that is more than inconsequential will not be prevented or detected by Fentress County Industrial Development Board's internal control.

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 Fentress County Industrial Development Board's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not be necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fentress County Industrial Development Board's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the management and federal awarding agencies and pass-through entities and the State of Tennessee Comptroller of the Treasury and is not intended to be and should not be used by anyone other than these specified parties.

November 23, 2009
Cookeville, Tennessee

Tamara L. Beckman, CPA