

**INDUSTRIAL DEVELOPMENT BOARD  
OF THE COUNTY OF BENTON**

**CAMDEN, TENNESSEE**

**FINANCIAL STATEMENTS**

**JUNE 30, 2009**

**INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF BENTON  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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## **INTRODUCTORY SECTION**

**INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF BENTON  
DIRECTORY  
JUNE 30, 2009**

**BOARD MEMBERS**

Sam Long  
Jimmy Wiseman  
Allen Webb  
Ron Lane  
Ben Marks  
Roger Pafford  
Tim Parker  
Mack Terry

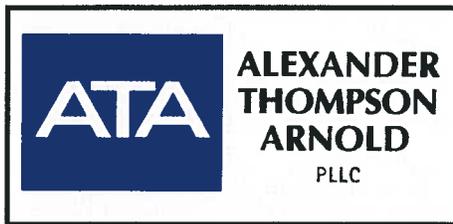
**MANAGEMENT TEAM**

Stanley Medlin, Accountant

**INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Alexander Thompson Arnold PLLC  
Jackson, Tennessee

## **FINANCIAL SECTION**



Certified Public Accountants

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American Institute of Certified Public Accountants  
AICPA Center for Public Company Audit Firms  
AICPA Governmental Audit Quality Center  
AICPA Employee Benefit Plan Audit Quality Center  
Tennessee Society of Certified Public Accountants  
Kentucky Society of Certified Public Accountants

Independent Auditor's Report

Board of Directors  
Industrial Development Board of the County of Benton  
Camden, Tennessee

We have audited the accompanying financial statements of the governmental activities and the major fund of the Industrial Development Board of the County of Benton (the Board), Camden, 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 Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 the 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 the major fund and the respective budgetary comparison for the major governmental fund of the Board, 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 our report dated February 15, 2010, 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 should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 6 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.

Dyersburg, TN  
Fulton, KY  
Henderson, TN  
Jackson, TN  
Martin, TN

McKenzie, TN  
Milan, TN  
Murray, KY  
Paris, TN  
Trenton, TN  
Union City, TN

Board of Directors  
Industrial Development Board of the County of Benton  
Camden, Tennessee

Our audit was performed for the purpose of forming opinions on the accompanying financial statements that collectively comprise the Board's basic financial statements. The introductory section is presented for purposes of additional analysis, and is not a required part of the basic financial statements. 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.



Certified Public Accountants  
Jackson, Tennessee  
February 15, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Industrial Development Board of the County of Benton (the Board), we offer readers of the Board's financial statements this narrative overview and analysis of the financial activities of the Board for the fiscal year ended June 30, 2009. All amounts, unless otherwise indicated, are expressed in actual dollars. Comparative analyses of key elements of total governmental funds have been provided

### FINANCIAL HIGHLIGHTS

Management believes the Board's financial condition is strong. The Board is well within its more stringent financial policies and guidelines set by the Board and management. The following are key financial highlights.

- Total assets at year-end were \$404 thousand and exceeded liabilities in the amount of \$404 thousand (i.e. net assets).
- Net assets increased \$8,493 during the current year.
- Operating revenues were \$9,935, a increase over year 2008 in the amount of \$3,138 or 46.17%.
- Operating expenses were \$1,442, an increase from year 2008 in the amount of \$1,363 or 1,725%.
- The operating profit for the year was \$8,493 as compared to a \$6,718 profit during the 2008 fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Board's strategic plan, budget, bond resolutions and other management tools were used for this analysis. The Financial Statements are made up of three sections: 1) the introductory section, 2) the financial section, and 3) the internal control and compliance section. The introductory section includes the Board's directory. The financial section includes the MD&A, the independent auditor's report, and the financial statements with accompanying notes. The internal control and compliance section includes the report on internal control and compliance.

### REQUIRED FINANCIAL STATEMENTS

Due to the Board being a single governmental fund entity, a consolidated format has been used to present the fund statements and the government-wide statements with the reconciliation included as an additional column. The following statements are included in the financial statements of the Board:

*The Statement of Net Assets and Governmental Fund Balance Sheet* includes all of the Board's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Board's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the Board.

*The Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance* presents the results of the business activities over the course of the fiscal year and information as to how the net assets and fund balances changed during the year. All changes in net assets and fund balances are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the Board's operations and can be used to determine whether the Board has successfully recovered all of its costs. This statement also measures the Board's profitability and credit worthiness.

*The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual* presents the results of activities over the course of the fiscal year in comparison with the original and final budget. An additional column is presented showing the differences between the final budget and the actual expenditures for the year.

*The Notes to the Financial Statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Board's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Assets** - As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets exceeded liabilities by \$404 thousand at the close of the most recent fiscal year.

Table 1  
**CONDENSED STATEMENT OF NET ASSETS**

|  | June 30, 2009     | June 30, 2008     | Increase (Decrease) |              |
|--|-------------------|-------------------|---------------------|--------------|
|  |                   |                   | \$                  | %            |
| Current and other assets                         | \$ 398,828        | \$ 390,335        | \$ 8,493            | 2.18%        |
| Capital assets (net of accumulated depreciation) | 5,000             | 5,000             | -                   | 0.00%        |
| <b>Total assets</b>                              | <b>\$ 403,828</b> | <b>\$ 395,335</b> | <b>\$ 8,493</b>     | <b>2.15%</b> |
| Invested in capital assets, net of related debt  | \$ 5,000          | \$ 5,000          | \$ -                | 0.00%        |
| Unrestricted                                     | 398,828           | 390,335           | 8,493               | 2.18%        |
| <b>Total net assets</b>                          | <b>\$ 403,828</b> | <b>\$ 395,335</b> | <b>\$ 8,493</b>     | <b>2.15%</b> |

During the period, the Board's net assets increased by \$8.49 thousand. This was due primarily due to interest revenue from the Board's investment activities.

**Statement of Activities** – Revenues in the governmental activities column exceeded expenses by \$8.49 thousand. As noted earlier, revenues increased during the year due to a grant from the Tennessee State Building Department.

Table 2  
**CONDENSED STATEMENT OF CHANGES IN NET ASSETS**

|                          | June 30, 2009     | June 30, 2008     | Increase (Decrease) |                 |
|--------------------------|-------------------|-------------------|---------------------|-----------------|
|                          |                   |                   | \$                  | %               |
| Operating revenues       | \$ 9,935          | \$ 6,797          | \$ 3,138            | 46.17%          |
| Non-operating revenues   | -                 | 19,337            | (19,337)            | -100.00%        |
| <b>Total revenues</b>    | <b>9,935</b>      | <b>26,134</b>     | <b>(16,199)</b>     | <b>-61.98%</b>  |
| Operating expenditures   | 1,442             | 79                | 1,363               | 1725.32%        |
| <b>Total expenses</b>    | <b>1,442</b>      | <b>79</b>         | <b>1,363</b>        | <b>1725.32%</b> |
| Change in net assets     | 8,493             | 26,055            | (17,562)            | -67.40%         |
| Beginning net assets     | 395,335           | 369,280           | 26,055              | 7.06%           |
| <b>Ending net assets</b> | <b>\$ 403,828</b> | <b>\$ 395,335</b> | <b>\$ 8,493</b>     | <b>2.15%</b>    |

Operating revenues remained consistent with previous periods. The Board had non-operating revenues in 2008 due to Benton County transferring an asset to the Board that was sold. No transfers existed for the Board in 2009. Operating expenses increased due to the auditing fee not being paid in 2008.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Cont.)

### COMMENTS ON FUND FINANCIAL STATEMENTS

The Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental fund* – The focus of the Board's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financing requirements.

In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Revenues in the general fund decreased by \$16,199 in 2009. The most significant changes in revenues and other financing sources in the general fund were:

- Non-operating revenues decreased by \$19,337.

Expenditures in the general fund increased from last year by approximately \$1,363. The most significant changes in expenditures and other financing uses in the general fund were:

- Auditing expense in the amount of \$1,400.

A budget comparison statement has been provided to demonstrate compliance with the budget.

### GENERAL FUND BUDGETARY HIGHLIGHTS

*Final Budgeted and Actual Amounts* – Interest revenue exceeded budgeted amounts by \$2,235, which was due to a higher interest rate on CD than expected.

### CAPITAL ASSET AND DEBT ADMINISTRATION

*Capital Assets* - At the end of the fiscal year, the Board had invested \$5,000 in land. The Board does not currently own any capital assets that are required to be depreciated.

*Long-term debt* – The Board currently does not have any debt obligations.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

There are no major expenditures or future capital projects in the budget.

### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Board's finances for citizens, taxpayers, customers, investors, creditors and all others with an interest in the Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Industrial Development Board of the County of Benton, P.O. Box 292, Camden, TN 38320.

**INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF BENTON**  
**STATEMENTS OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET**  
 JUNE 30, 2009

|   | General<br>Fund | Adjustments<br>(Note 3A) | Statement of<br>Net Assets |
|---|-----------------|--------------------------|----------------------------|
| <b>ASSETS</b>                                   |                 |                          |                            |
| Cash  | \$ 47,091       | \$ -                     | \$ 47,091                  |
| Accounts receivable                             | 1,200           | -                        | 1,200                      |
| Interest receivable                             | 537             | -                        | 537                        |
| Investment                                      | 350,000         | -                        | 350,000                    |
| Capital assets (not being depreciated):         |                 |                          |                            |
| Land  | -               | 5,000                    | 5,000                      |
| <b>Total assets</b>                             | 398,828         | 5,000                    | 403,828                    |
| <b>FUND BALANCE</b>                             |                 |                          |                            |
| Unreserved                                      | \$ 398,828      | (398,828)                | -                          |
| <b>Total liabilities and fund balance</b>       | 398,828         | (398,828)                | -                          |
| <b>NET ASSETS</b>                               |                 |                          |                            |
| Invested in capital assets, net of related debt | -               | 5,000                    | 5,000                      |
| Unrestricted                                    | -               | 398,828                  | 398,828                    |
| <b>Total net assets</b>                         | \$ -            | \$ 403,828               | \$ 403,828                 |

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

**INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF BENTON**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

|  | General<br>Fund   | Adjustments<br>(Note 3B) | Statement<br>of Activities |
|--|-------------------|--------------------------|----------------------------|
| <b>Revenues:</b>   |                   |                          |                            |
| Interest income  | \$ 8,735          | \$ -                     | \$ 8,735                   |
| Rent income  | <u>1,200</u>      | <u>-</u>                 | <u>1,200</u>               |
| <b>Total revenue</b>   | <u>9,935</u>      | <u>-</u>                 | <u>9,935</u>               |
| <b>Expenditures:</b>   |                   |                          |                            |
| Licensing and fees   | 42                | -                        | 42                         |
| Accounting and auditing services                             | <u>1,400</u>      | <u>-</u>                 | <u>1,400</u>               |
| <b>Total expenditures</b>                                    | <u>1,442</u>      | <u>-</u>                 | <u>1,442</u>               |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>8,493</u>      | <u>-</u>                 | <u>8,493</u>               |
| <b>Net changes in fund balance/net assets</b>                | 8,493             | -                        | 8,493                      |
| <b>Fund balance/net assets - beginning</b>                   | <u>390,335</u>    | <u>-</u>                 | <u>395,335</u>             |
| <b>Fund balance/net assets - ending</b>                      | <u>\$ 398,828</u> | <u>\$ -</u>              | <u>\$ 403,828</u>          |

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

**INDUSTRIAL DEVELOPMENT BOARD OF THE CONTY OF BENTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

|   | <u>Budgeted Amounts</u> |                 | <u>Actual</u>     | Variance with       |
|---|-------------------------|-----------------|-------------------|---------------------|
|   | <u>Original</u>         | <u>Final</u>    |                   | Final Budget        |
| <b>Revenues:</b>  |                         |                 |                   | <b>Over (Under)</b> |
| Interest Income   | \$ 6,500                | \$ 6,500        | \$ 8,735          | \$ 2,235            |
| Rent Income   | 1,200                   | 1,200           | 1,200             | -                   |
| <b>Total revenues</b>                                       | <u>7,700</u>            | <u>7,700</u>    | <u>9,935</u>      | <u>2,235</u>        |
| <b>Expenditures:</b>  |                         |                 |                   |                     |
| License and Permits   | 45                      | 45              | 42                | (3)                 |
| Attorney Fees   | 100                     | 100             | -                 | (100)               |
| Ent. Prospects  | 300                     | 300             | -                 | (300)               |
| Accounting and Auditing Services                            | 1,500                   | 1,500           | 1,400             | (100)               |
| <b>Total expenditures</b>                                   | <u>1,945</u>            | <u>1,945</u>    | <u>1,442</u>      | <u>(503)</u>        |
| Excess (deficiency) of revenue<br>over (under) expenditures | <u>\$ 5,755</u>         | <u>\$ 5,755</u> | 8,493             | <u>\$ 2,738</u>     |
| <b>Fund balance - beginning</b>                             |                         |                 | <u>390,335</u>    |                     |
| <b>Fund balance - ending</b>                                |                         |                 | <u>\$ 398,828</u> |                     |

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

**INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF BENTON**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2009

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Industrial Development Board of the County of Benton (the Board) is a Industrial Development Board with responsibility for acquiring and developing land for industrial development in Benton County Tennessee.

In evaluating how to define the Benton County Industrial Board, 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 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 Benton County Industrial Board. However, the Benton County Industrial Board is a component unit of Benton County, because Benton County appoints a majority of the governing body.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statements of net assets and the statement of changes in net assets) and the governmental funds financial statements (i.e., the balance sheet and the statement of revenues, expenditures, and changes in fund balances) have been consolidated onto one report. The adjustments from the fund financial statements to the government-wide statements have been consolidated into the middle column of the reports for simplicity.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within thirty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The above referenced financial statements have been combined into one statement due to the fact that the Board is a single fund governmental unit.

The financial statements of the Board are prepared in accordance with generally accepted accounting principles. The Board's reporting entity applies all relevant *Governmental Accounting Standards Board (GASB)* pronouncements and applicable

**INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF BENTON**  
**NOTES TO FINANCIAL STATEMENTS**  
JUNE 30, 2009

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Cont.)**

*Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle Board (APB) opinions issued on or before November 30, 1989 unless they conflict with GASB pronouncements. The Board's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.*

The Board has adopted GASB Statement 34, *Basic Financial Statements and Management Discussion and Analysis – for State and Local Governments*, and related interpretations issued through June 30, 2009. Statement 34 required certain changes in terminology, format, and content, as well as inclusion of the management's discussion and analysis as required supplementary information.

**D. Assets and Liabilities**

***Deposits and Investments***

Cash consists of currency on hand and demand deposits with financial institutions. Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that there is insignificant risk of changes in value because of changes in interest rates. Only investments with maturities of less than three months at the time of purchase are considered cash equivalents.

***Capital Assets***

Property, plant and equipment are stated at original cost. Maintenance, repairs and minor renewals are expensed as incurred. When units are retired the original cost and related accumulated depreciation are removed from the books.

Depreciation of the fixed assets is computed by the straight-line method over the estimated useful lives (5 to 15 years) of the various assets.

The Board currently has no assets being depreciated.

***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 governmental unit, it is not subject to income taxes and no amount for taxes has been recorded in the accompanying statements.

***Land***

On occasion Benton County 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 component-unit wide Statement of Net Assets of the Industrial Development Board are stated at the lower of the County's cost or market value at the time of transfer.

**INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF BENTON**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2009

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

The Board adopts flexible annual operating budgets. Budgets are adopted on a basis consistent with generally accepted accounting principles. The current operating budget details the Board's plans to earn and expend funds for charges incurred for operation, maintenance, certain interest and general functions, and other charges for the fiscal year. All unexpended appropriations in the operating budget remaining at the end of the fiscal year lapse.

**NOTE 3 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Differences between the Governmental Fund Balance Sheet and the Statement of Net Assets**

Adjustments to the balance sheet of governmental funds to the statement of net assets includes the following items:

When capital assets (land and equipment) that are to be used in governmental activities are purchased, the costs of those assets are reported as expenditures in the governmental funds. However, the statement of net assets includes those capital assets among the assets of the Industrial Development Board of the County of Benton as a whole.

|                          |                 |
|--------------------------|-----------------|
| Cost of capital assets   | \$ 5,000        |
| Accumulated depreciation | <u>-</u>        |
|                          | <u>\$ 5,000</u> |

**NOTE 4 – DEPOSITS AND CUSTODIAL CREDIT RISK**

*Custodial Credit Risk*

The Board's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statute required that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Board's agent in the Board's name, or by the treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2009 all bank deposits were fully collateralized or insured.

**NOTE 5 – RISK MANAGMENT**

Benton County carries commercial insurance for risks of loss from general liability, property and casualty, which also covers the Benton County Industrial Board. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**NOTE 6 – NOTE PAYABLE**

There were no note payables existing at June 30, 2009. In addition, the Board did not engage in any long-term debt transactions during the year.

**INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF BENTON**  
**NOTES TO FINANCIAL STATEMENTS**  
 JUNE 30, 2009

**NOTE 7 – RENT RECEIVABLE**

As disclosed in Note 7, below, a company entered into a lease with the Board in March 1962 (amended June 1986) for an initial term of 25 years with the option to renew or extend the lease for a period of up to 74 additional years. The rental payments during the first 25 years of the lease consisted of the principal and interest requirements to retire the conduit debt issued on the company's behalf. The conduit debt has been retired. The rental payment required annually for each of the additional 74 years, if extended, is \$1,200. The rent receivable for the year ended June 30, 2009, is \$1,200. The Board believes the entire amount is collectible.

**NOTE 8 – CONDUIT DEBT**

Conduit debt is a means by which a governmental entity may lend its name and tax exempt status to private companies providing them with access to the tax-exempt bond market. In return, the governmental entity may receive such benefits as an increased tax base, lower unemployment, etc. Conduit debt when issued is not an indebtedness of the governmental entity but of the entities for whom the debt was issued and is payable only by those entities.

In all current and past agreements, the Board entered into long-term leases with the applicable companies who agreed to pay as rent the principal and interest required to retire the bonds. All the lease agreements contain options to purchase the properties for nominal amounts after the initial bond/rent requirements have been met. Currently, the Board has one agreement that is still active

- In 1962, the Board issued industrial development revenue bonds in the amount of \$675,000 for the purpose of acquiring and developing property and constructing a building for industrial purposes. The company occupying this site has fulfilled their obligation and the bonds have been repaid. However, the company has not yet exercised its right to purchase the property for the sum of \$1.00. Since the company has not exercised its right to purchase the property, its is obligated to pay the Board annual rent of \$1,200.

In August 2001, the board authorized the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County to issue its Tax-Exempt Adjustable Mode Exempt Facilities Revenue Bonds (Waste Management, Inc. of Tennessee Project) Series 2001, in an aggregate principal amount not to exceed \$10,325,000. The Board was required to approve the issuance since approximately \$3,100,000 will be used for improving, acquiring, renovating, constructing, and equipping the solid waste facility in Benton County, Tennessee. This bond issuance is considered conduit debt of the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County and not of the Industrial Development Board of the County of Benton. For more detailed information relating to this conduit debt issuance, you should refer to the annual report of the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County.

**NOTE 9 – PROPERTY AND EQUIPMENT**

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

|       | Balance<br>July 1, 2008 | Additions   | Deletions   | Balance<br>June 30, 2009 |
|-------|-------------------------|-------------|-------------|--------------------------|
| Land  | \$ 5,000                | \$ -        | \$ -        | \$ 5,000                 |
| Total | <u>\$ 5,000</u>         | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,000</u>          |

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

**NOTE 10 – SUBSEQUENT EVENTS**

There were no subsequent events that require disclosure.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



Certified Public Accountants

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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*

Board of Directors  
Industrial Development Board of the County of Benton  
Camden, Tennessee

We have audited the accompanying financial statements of the governmental activities and the general fund of the Industrial Development Board of the County of Benton (the Board), 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 January 19, 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 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 or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 prevented or detected by the Board's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as 09-01 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 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 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 that the significant deficiency described above is not a material weakness.

Dyersburg, TN  
Fulton, KY  
Henderson, TN  
Jackson, TN  
Martin, TN

McKenzie, TN  
Milan, TN  
Murray, KY  
Paris, TN  
Trenton, TN  
Union City, TN

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, and contracts, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Board's response to the finding in our audit is described in the schedule of findings and responses. We did not audit the Board's response and, accordingly, we express no opinion on it.

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



Certified Public Accountants  
Jackson, Tennessee  
February 15, 2010

**INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF BENTON**  
**SCHEDULE OF FINDINGS**  
JUNE 30, 2009

**FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**CURRENT YEAR FINDINGS**

**09-01 Separation of Duties (Significant Deficiency)**

Condition: The Board only has one staff person that is responsible for all aspects of the accounting functions.

Criteria: Proper separation of duties involves separating the functions of recording transactions, posting to the general ledger, and reconciling general ledger accounts.

Effect: When accounting functions are not adequately separated, the risk of errors and irregularities occurring and not being detected in a timely manner increases.

Recommendation: Controls should be used to insure some separation of the cash, record keeping, and reconciliation procedures for all areas of the internal control system.

Management Response: Due to the size of the Board, it is not economically feasible to hire additional staff at this time.

**PRIOR YEAR FINDINGS**

**08-01 Budget Approval**

Condition: The Board does not have an approved budget

Criteria: Budget approval is required by the State

Effect: Appropriation and expenditures may be used for things that are not approved by the Board

Recommendation: Board should approve a formal budget every year

Management response : Board will approve budget next year.