

**THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE**

**Financial Statements and
Supplementary Information**

Years Ended June 30, 2009 and 2008

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Financial Statements and Supplementary Information
Years Ended June 30, 2009 and 2008

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Independent Auditor's Report

To The Industrial Development Board
of the County of Roane, Tennessee
Kingston, TN 37763

We have audited the accompanying financial statements of the governmental activity, and the major fund of The Industrial Development Board of the County of Roane, Tennessee, "a component unit of the Roane County Government", as of and for the years ended June 30, 2009 and 2008, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of The Industrial Development Board of the County of Roane, Tennessee's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only The Industrial Development Board of the County of Roane, Tennessee, "a component unit of the Roane County Government", and are not intended to present fairly the financial position and statement of activities of the Roane County Government, Tennessee, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity, and the major fund of The Industrial Development Board of the County of Roane, Tennessee, as of June 30, 2009 and 2008, and the respective changes in financial position for the years 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 October 27, 2009, on our consideration of The Industrial Development Board of the County of Roane, Tennessee'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 2 through 5, 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.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise The Industrial Development Board of the County of Roane, Tennessee's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such information 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.



Knoxville, TN
October 27, 2009

MANAGEMENT'S DISCUSSION & ANALYSIS JUNE 30, 2009

As management of the Industrial Development Board of Roane County ("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.

Financial Highlights

- The assets of the Board exceeded its liabilities at June 30, 2009 by \$7,033,912. Of this amount, \$682,880 is unrestricted and may be used for any lawful purpose of the Board.
- The Board's net assets increased by \$393,622 from July 1, 2008 to June 30, 2009.
- Capital assets increased by approximately \$178,938, net of depreciation. The increase is primarily due to site improvement cost capitalized during the current fiscal year.

Overview of the Financial Statements

This narrative discussion and analysis is intended to serve as an introduction to the Board's financial statements for the fiscal year ended June 30, 2009. The information presented here should be read in conjunction with the financial statements, footnotes, and supplementary information found in this report.

The Board is structured as a non-profit corporation and is a component unit of the Roane County government. The financial statements are prepared on the modified accrual basis of accounting. Therefore, revenues are recognized when they are both measurable and available. Expenditures are recognized when the related liability is incurred.

Following the management's discussion and analysis are the financial statements of the Board. This information, taken collectively, is designed to provide the reader with an understanding of the Board's finances.

The Statement of Net Assets presents information on all of the Board's assets, liabilities and net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the Board's financial position.

The Statement of Activities presents information that focuses on the sustainability of the Board as an entity and the changes in the Board's net assets from the current fiscal year's activities.

Financial Position

Total current assets increased by \$200,539 as of June 30, 2009 compared to June 30, 2008. The increase was due primarily to an increase in cash which was attributed to more conservative spending and a decrease in total expenses for the year.

Capital assets increased by approximately \$178,938, net of depreciation, as of June 30, 2009, compared to June 30, 2008.

Long-term assets increased by \$2,624, as of June 30, 2009 compared to June 30, 2008, related to interest income reinvested during the current fiscal year.

**THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Management's Discussion and Analysis (continued)**

Capital Assets

The Board's investment in capital assets as of June 30, 2009 and 2008 is noted in the following table:

	<u>2009</u>	<u>2008</u>
Capital assets not being depreciated		
Land	\$ 5,914,462	\$ 5,731,959
Legal & start up costs	<u>213,577</u>	<u>213,577</u>
Total capital assets not being depreciated	<u>6,128,039</u>	<u>5,945,536</u>
Capital assets being depreciated		
Buildings and improvements	180,558	180,558
Water tank	65,300	65,300
Furniture and fixtures	7,000	7,000
Office equipment	9,844	9,595
Less: accumulated depreciation	<u>(39,709)</u>	<u>(35,895)</u>
Total capital assets being depreciated, net	<u>222,993</u>	<u>226,558</u>
Capital assets, net	<u>\$ 6,351,032</u>	<u>\$ 6,172,094</u>

Total liabilities decreased by \$11,521 as of June 30, 2009, compared to June 30, 2008. The decrease is primarily due to a decrease in the amount owed to Roane Alliance of \$11,421.

A portion of the Board's net assets (90% at June 30, 2009 and 93% at June 30, 2008) represents an investment in fixed assets. The Board uses these assets to provide services to existing and future industries, and these assets are net of related debt.

At the end of the current and previous fiscal years, the Board reported positive balances in all categories of net assets.

**THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Management's Discussion and Analysis (continued)**

The change in assets, liabilities, and net assets for the fiscal year ending June 30, 2009 compared to June 30, 2008 is as follows:

	<u>Fiscal year ending 6/30/09</u>	<u>Fiscal year ending 6/30/08</u>	<u>Increase/ (Decrease)</u>
Assets			
Capital assets	\$ 6,351,032	\$ 6,172,094	\$ 178,938
Current assets	786,518	585,979	200,539
Other assets	<u>53,932</u>	<u>51,308</u>	<u>2,624</u>
Total assets	<u>\$ 7,191,482</u>	<u>\$ 6,809,381</u>	<u>\$ 382,101</u>
Liabilities and net assets			
Current liabilities	\$ 32,545	\$ 43,966	\$ (11,421)
Other liabilities	<u>125,025</u>	<u>125,125</u>	<u>(100)</u>
Total liabilities	<u>157,570</u>	<u>169,091</u>	<u>(11,521)</u>
Net assets			
Invested in capital assets, net of related debt	6,351,032	6,172,094	178,938
Unrestricted	<u>682,880</u>	<u>468,196</u>	<u>214,684</u>
Total net assets	<u>7,033,912</u>	<u>6,640,290</u>	<u>393,622</u>
Total liabilities and net assets	<u>\$ 7,191,482</u>	<u>\$ 6,809,381</u>	<u>\$ 382,101</u>

Revenues, Expenses and Changes in Net Assets

Revenues

Revenues decreased by \$136,557 in the fiscal year ending June 30, 2009, compared to June 30, 2008 due primarily to a decrease in revenues of \$44,016 for the PILOT program, a decrease in revenues of \$220,549 related to inter-governmental receipts and an increase of logging proceed revenues of approximately \$129,000.

Expenses

Expenses in fiscal year 2009 decreased by \$36,498, when compared to fiscal year 2008. The decrease is due to the decrease in expenses for legal and professional fees of approximately \$65,000 related to surveying expenses for land to be sold.

Summary of Changes in Net Assets

A summarized comparison of the changes in net assets for FY 2009 and 2008 is shown below:

	Fiscal year ending 6/30/09	Fiscal year ending 6/30/08
Program revenues, by major source		
Pilot program	\$ 2,647	\$ 46,663
Grants	-	-
Total program revenues	<u>2,647</u>	<u>46,663</u>
General revenues, by major source		
Intergovernmental receipts	651,364	871,813
Miscellaneous	160,587	18,550
Total general revenues	<u>811,951</u>	<u>890,363</u>
Total revenues	<u>814,598</u>	<u>937,026</u>
Expenses		
Other expenses	<u>325,336</u>	<u>361,834</u>
Total expenses	<u>325,336</u>	<u>361,834</u>
Change in net assets before transfers	489,262	575,192
Transfers in/(out)	<u>(95,640)</u>	<u>(1,053,203)</u>
Change in net assets	<u>\$ 393,622</u>	<u>\$ (478,011)</u>

Future Outlook

With the downturn in the economy, the activity level of industrial prospects has continued to be sporadic in 2009 and although the second half of 2009 has shown prospect inquiries increasing significantly, we expect that we will not see a return to 2007 levels until 2010. Inquiries from small to medium sized industries have stayed low to nearly non-existent, with the worst period being during the spring of 2009. However, interest from large industries, including international companies, has been continuing. Our focus for 2009-2010 is to continue to position ourselves to attract suppliers for these large industries to Roane County. We have nearly completed several pre-development projects which we launched in partnership with Roane County to make sure our prime locations are as appealing as possible to potential new industries.

Requests for Information

This financial report is designed to provide a general overview of the Board's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Industrial Development Board of the County of Roane, Tennessee, 1209 N. Kentucky Street, Kingston, TN 37763.

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Statements of Net Assets
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets		
Cash	\$ 765,276	\$ 554,887
Accounts receivable	<u>21,242</u>	<u>31,092</u>
Total current assets	<u>786,518</u>	<u>585,979</u>
Capital assets		
Land and other non-depreciable assets	6,128,039	5,945,536
Other capital assets, net of accumulated depreciation	<u>222,993</u>	<u>226,558</u>
Total capital assets	<u>6,351,032</u>	<u>6,172,094</u>
Long-term assets		
Certificate of deposit	<u>53,932</u>	<u>51,308</u>
Total assets	<u>\$ 7,191,482</u>	<u>\$ 6,809,381</u>
LIABILITIES		
Due to Roane Alliance	\$ 32,545	\$ 43,966
Land option	-	100
Land sale deposits	<u>125,025</u>	<u>125,025</u>
Total liabilities	<u>\$ 157,570</u>	<u>\$ 169,091</u>
NET ASSETS		
Invested in capital assets	\$ 6,351,032	\$ 6,172,094
Unrestricted	<u>682,880</u>	<u>468,196</u>
Total net assets	<u>\$ 7,033,912</u>	<u>\$ 6,640,290</u>

**THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE**
Statement of Activities
Year ended June 30, 2009

Function/Programs	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Governmental activities	\$ 325,336	\$ -	\$ -	\$ (325,336)	\$ -	\$ (325,336)
Total governmental activities	<u>325,336</u>	<u>-</u>	<u>-</u>	<u>(325,336)</u>	<u>-</u>	<u>(325,336)</u>
General Revenue						
Intergovernmental receipts				651,364	-	651,364
Pilot fees				2,647	-	2,647
Logging proceeds				129,126	-	129,126
Miscellaneous revenue				<u>31,461</u>		<u>31,461</u>
Total general revenue				<u>814,598</u>	<u>-</u>	<u>814,598</u>
Payments to primary government				<u>(95,640)</u>	<u>-</u>	<u>(95,640)</u>
Change in net assets				393,622	-	393,622
Net assets at the beginning of the year				<u>6,640,290</u>	<u>-</u>	<u>6,640,290</u>
Net assets at the end of the year				<u>\$ 7,033,912</u>	<u>\$ -</u>	<u>\$ 7,033,912</u>

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTIES OF ROANE, TENNESSEE

Statement of Activities

Year Ended June 30, 2008

Program Revenues

Net Revenue (Expense) and
Changes in Net Assets

	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
			Governmental Activities	Business-type Activities		
Function/Programs						
Governmental activities	\$ 361,834	\$ -	\$ -	\$ (361,834)	\$ -	\$ (361,834)
Total governmental activities	<u>361,834</u>	<u>-</u>	<u>-</u>	<u>(361,834)</u>	<u>-</u>	<u>(361,834)</u>
General Revenue						
Intergovernmental receipts				871,813	-	871,813
Pilot fees				46,663	-	46,663
Miscellaneous revenue				18,550	-	18,550
Total general revenue				<u>937,026</u>	<u>-</u>	<u>937,026</u>
Payments to primary government				<u>(1,053,203)</u>	<u>-</u>	<u>(1,053,203)</u>
Change in net assets				<u>(478,011)</u>	<u>-</u>	<u>(478,011)</u>
Net assets at the beginning of the year				<u>7,118,301</u>	<u>-</u>	<u>7,118,301</u>
Net assets at the end of the year				<u>\$ 6,640,290</u>	<u>\$ -</u>	<u>\$ 6,640,290</u>

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE

Balance Sheets -
Governmental Fund
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets		
Cash	\$ 765,276	\$ 554,887
Accounts receivable	<u>21,242</u>	<u>31,092</u>
Total current assets	<u>786,518</u>	<u>585,979</u>
Long-term assets		
Certificate of deposit	<u>53,932</u>	<u>51,308</u>
Total assets	<u>\$ 840,450</u>	<u>\$ 637,287</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Due to Roane Alliance	\$ 32,545	\$ 43,966
Land sale deposits	125,025	125,025
Land option	<u>-</u>	<u>100</u>
Total liabilities	157,570	169,091
Fund balance		
Unrestricted	<u>682,880</u>	<u>468,196</u>
Total liabilities and fund balance	<u>\$ 840,450</u>	<u>\$ 637,287</u>
 <u>Reconciliation to the Statement of Net Assets</u>		
Total fund balance as shown above	\$ 682,880	\$ 468,196
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.	<u>6,351,032</u>	<u>6,172,094</u>
Net assets of governmental activities	<u>\$ 7,033,912</u>	<u>\$ 6,640,290</u>

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Statements of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Revenues		
Intergovernmental receipts	\$ 651,364	\$ 871,813
Pilot fees	2,647	46,663
Logging proceeds	129,126	-
Miscellaneous income	<u>17,332</u>	<u>18,550</u>
Total revenues	<u>800,469</u>	<u>937,026</u>
Expenditures		
Improvements	264,014	486,113
Payroll	101,289	111,416
Legal and professional	35,875	101,049
Advertising and marketing	56,712	52,746
Repairs and maintenance	47,847	45,421
Insurance	14,922	13,677
Rent	12,000	12,000
Travel	20,067	10,520
Office	1,492	5,705
Pilot program	17,911	3,774
Utilities	2,076	2,066
Equipment	2,079	2,065
Other	<u>9,501</u>	<u>1,542</u>
Total expenditures	<u>585,785</u>	<u>848,094</u>
Excess revenues over expenditures	214,684	88,932
Fund balance, beginning of the year	<u>468,196</u>	<u>379,264</u>
Fund balance, end of year	<u>\$ 682,880</u>	<u>\$ 468,196</u>

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Statements of Revenues, Expenditures, and Changes in Fund Balance (Continued)
Governmental Fund
Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Reconciliation to the Statement of Activities</u>		
Net change in fund balance as shown on page 10	\$ 214,684	\$ 88,932
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital assets reported as capital outlay in governmental fund statements	264,014	486,113
Additions to capital assets	249	5,595
Depreciation expense reported in the statement of activities	<u>(3,814)</u>	<u>(5,448)</u>
	260,449	486,260
In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the gain (or loss) on the disposal is reported.		
Proceeds from disposition of capital assets as reported on the governmental funds operating statement	(95,640)	(1,815,900)
Gain on disposition reported on the statement of activities	<u>14,129</u>	<u>762,697</u>
Book value of capital assets disposed of	<u>(81,511)</u>	<u>(1,053,203)</u>
Change in net assets of governmental activities	<u>\$ 393,622</u>	<u>\$ (478,011)</u>

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Notes to Financial Statements
June 30, 2009 and 2008

NOTE 1 - ORGANIZATION

The Industrial Development Board of the County of Roane, Tennessee, (the "Board"), is a non-profit corporation. It is incorporated under the provisions of the State of Tennessee, and is a component unit of the Roane County government and receives funding from various county funds. The function of the board is to attract and promote new industry for the county.

The Board is appointed by the County Commission. In addition, the majority of the funding for the Board is provided by the county. The Board is held responsible by the county for fiscal and operational matters. The county can exercise oversight, as it deems necessary.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements (statement of net assets and statement of activities of the Board have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units). The Board applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict pronouncements of the Governmental Accounting Standards Board (GASB), in which case, GASB prevails.

Reporting Entity - The Board is a component unit of the Roane County government, the primary government. It is made up of nine members appointed by the Roane County Commissioners of the primary government. The Board's relationship with the primary government is that the Board acts as a conduit for industrial development. In addition, the Board is a public corporation organized under and pursuant to the provisions of Title 7, Chapter 53, of the Tennessee Code Annotated, designed to maintain and increase employment opportunities in the State of Tennessee by issuing revenue bonds, including revenue refunding bonds.

These financial statements present only the assets, liabilities, fund balance, and results of operations of the industrial fund. They are not intended to present the assets, liabilities, fund balances and results of operations of the County of Roane, Tennessee.

Basic Financial Statements - Government-Wide Statements - The Board's basic financial statements include both government-wide (reporting the Board as a whole) and fund financial statements (reporting the Board's major fund). The Board has only one fund, the General Fund.

In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis and are reported on the full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Board's net assets are reported in two parts - invested in capital assets, net of related debt, and unrestricted net assets, as applicable. When both unrestricted and restricted fund resources are available for use, it is the Board's policy to use restricted resources first.

The government-wide Statement of Activities reports both the gross and net costs of the Board's function. The function is also supported by the general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues. Program revenues must be directly associated with the function. Program revenues include 1) charges to customers who use or directly benefit from goods, services, or privileges provided by a given function or program and 2) grants and contributions for operational or capital requirements of a particular function or program. Other items not identifiable with a program are reported as general revenues.

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

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements - Fund Financial Statements - The financial transactions of the Board are reported in the general fund in the fund financial statements. The fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund is reported by generic classification within the financial statements. The following fund type is used by the Board:

Governmental Fund

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

General Fund - The General Fund is the general operating fund of The Industrial Board. All financial resources are accounted for in the General Fund.

Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The Government evaluated subsequent events for recognition or disclosure through October 27, 2009, which is the date the financial statements were issued.

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

Modified Accrual - The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule included: (1) accumulated unpaid sick pay, which is not accrued; and (2) principal and interest on general obligation long-term debt, which is recognized when due.

Budgets and Budgetary Accounting - The Industrial Board follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Formal budgetary integration is employed as a management control device during the year for the General Fund. The budget is adopted on a basis consistent with generally accepted accounting principles.

Cash and Cash Equivalents - The Board considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets - Capital assets, which include property, plant and equipment assets, are reported in the government-wide financial statements. Capital assets are defined by the Board as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Water Tanks / waterlines	40 Years
Furniture and fixtures	10 Years
Equipment	5 Years

Compensated Absences – Compensated absences are earned at a rate of one day per month for both sick leave and vacation time. Upon termination or retirement, all accumulated time is forfeited. On October 1, 2000, the employees of the Board became employees of the Community Development Council, Inc., which changed its name in June 2001, to The Roane Alliance, Inc. Therefore, no accrual for compensated absences has been reflected in the financial statements.

NOTE 3 - CASH

State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of the deposits, less the amount as insured by federal deposit insurance. The collateral must be held by the Board or its agent in the Board's name, or by the Federal Reserve in the Board's name.

At June 30, 2009 and 2008, the carrying amount of the Board's deposits was \$765,276 and \$554,887, respectively. The Board's bank balance at June 30, 2009 and 2008, was fully covered by FDIC insurance and through the bank's participation in the Tennessee Collateral Pool.

NOTE 4 - LEASE

Beginning July 1, 2002, the Board began paying annual rent, which includes utilities, of \$12,000. This agreement was renewed on January 1, 2006 for a five year period ending December 31, 2011 with the rent set at \$1,000 per month.

NOTE 5 - LAND LEASE

The Industrial Development Board entered into a lease agreement with Dienamic Tooling Systems, Inc. on December 31, 2004. The lessee paid the Board \$26,667 for three years as basic rent and \$1 a year until December 31, 2021. Section 14.01 of the lease gives the lessee the option to purchase the leased property at any time under Section 14.03 for \$1.

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the years ended June 30, 2009 and 2008 is as follows:

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008	Additions	Disposals	Balance June 30, 2009
Governmental Activities							
Capital assets not being depreciated							
Land	\$6,299,049	\$486,113	\$ 1,053,203	\$ 5,731,959	\$ 264,014	\$ 81,511	\$ 5,914,462
Legal & Start Up - Macedonia	<u>213,577</u>	-	-	<u>213,577</u>	-	-	<u>213,577</u>
Total assets not being depreciated	<u>6,512,626</u>	<u>486,113</u>	<u>1,053,203</u>	<u>5,945,536</u>	<u>264,014</u>	<u>81,511</u>	<u>6,128,039</u>
Other capital assets							
Water tank	65,300	-	-	65,300	-	-	65,300
Furniture and fixtures	7,000	-	-	7,000	-	-	7,000
Office equipment	4,000	5,595	-	9,595	249	-	9,844
Improvements	<u>180,558</u>	-	-	<u>180,558</u>	-	-	<u>180,558</u>
Total other assets	<u>256,858</u>	<u>5,595</u>	<u>-</u>	<u>262,453</u>	<u>249</u>	<u>-</u>	<u>262,702</u>
Less accumulated depreciation for							
Water tank	\$ (15,348)	\$ -	\$ -	\$ (15,348)	\$ (1,632)	\$ 4,671	\$ (21,651)
Furniture and fixtures	(3,150)	(700)	-	(3,850)	(700)	-	(4,550)
Office equipment	(4,000)	(559)	-	(4,559)	(593)	-	(5,152)
Improvements	<u>(7,949)</u>	<u>(4,189)</u>	<u>-</u>	<u>(12,138)</u>	<u>(889)</u>	<u>(4,671)</u>	<u>(8,356)</u>
Total Accumulated Depreciation	<u>(30,447)</u>	<u>(5,448)</u>	<u>-</u>	<u>(35,895)</u>	<u>(3,814)</u>	<u>-</u>	<u>(39,709)</u>
Other capital assets, net	<u>226,411</u>	<u>147</u>	<u>-</u>	<u>226,558</u>	<u>(3,565)</u>	<u>-</u>	<u>222,993</u>
Governmental activities capital assets, net	<u>\$6,739,037</u>	<u>\$486,260</u>	<u>\$ 1,053,203</u>	<u>\$ 6,172,094</u>	<u>\$ 260,449</u>	<u>\$ 81,511</u>	<u>\$ 6,351,032</u>

Depreciation was charged to functions as follows:

Governmental Activities	
General Government	<u>\$ 5,448</u>
	<u>\$ 3,814</u>

NOTE 7 – ECONOMIC DEPENDENCY

The Board receives all of its operating funds from Roane County and its budget is set annually by Roane County.

NOTE 8 – RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Board's risks of loss are covered by a commercial package insurance policy. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 9 - RELATED PARTY TRANSACTIONS

Roane County Government is a related party of the Board. Transfers in the amounts of \$387,250 and \$385,400, respectively, were received from Roane County Government for the fiscal years ending June 30, 2009 and 2008.

NOTE 10 - OPERATING AGREEMENT

The Board has entered into a Joint Operating Agreement with the Roane County Chamber of Commerce. The Roane County Commission (Visitor's Bureau), and the Roane County Community Development Council are known as The Roane Alliance. On October 1, 2001, the Board's employees became employees of the Roane County Community Development Council, who changed their name to The Roane Alliance, Inc. in June 2001. As a result of the Joint Operating Agreement, the Roane Alliance receives a portion of the Industrial Board's annual budget to pay the following expenses:

- Salaries
- Payroll tax expense
- Health insurance
- Property and liability insurance
- Expenses related to business recruitment
- Auto expenses for the Industrial Commissioner

Beginning July 1, 2005 the Industrial Development Board changed this agreement and all funds were sent to the Industrial Development Board. The Roane Alliance paid the above noted expenses and billed the Industrial Development Board for their share.

NOTE 11 - SALE OF LAND

There were land sales during the years ending June 30, 2009 and 2008 for \$95,640 and \$1,815,900, respectively. The sales had a land cost in 2009 and 2008 of \$81,511 and \$1,053,203, respectively. The Industrial Development Board submits all proceeds from the sales of land to the Roane County Government.

NOTE 12 - DEFERRED REVENUE

Deposits totaling \$125,025 were received during the year ended June 30, 2008, related to future land sales that were not completed as of June 30, 2009.

NOTE 13 - OTHER MATTERS

A deposit of \$5,000 was received from DEKD, LLC, a Tennessee Limited Liability Company for a purchase and sale agreement of five acres in the Roane Regional Business and Technology Park for \$125,000. This agreement secures the right of first refusal on two additional five acres tracts adjoining the first site. The sale was completed September 6, 2005 and the Industrial Development board is financing \$112,500 of that sale. The note is without interest and payable upon the sale or lease of the real property securing the note. DEKD, LLC plans to build speculative industrial buildings on the five acre sites, and when sold or leased, the note will be paid off. In 2008, the Industrial Development Board received the remaining outstanding balance due from DEKD, LLC of \$112,500.

SUPPLEMENTARY INFORMATION

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in
Fund Balance Budgetary Comparison Schedule
Year ended June 30, 2009

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
General revenue				
Intergovernmental receipts	\$ 387,250	\$ 387,250	\$ 651,364	\$ 264,114
Pilot fees	5,000	5,000	\$ 2,647	(2,353)
Logging proceeds	-	-	\$ 129,126	129,126
Miscellaneous income	8,800	1,500	17,332	15,832
Total general revenues	<u>401,050</u>	<u>393,750</u>	<u>800,469</u>	<u>406,719</u>
Governmental activity expenditures				
Improvements	3,000	3,000	264,014	(261,014)
Salaries and employee costs	148,633	148,633	101,289	47,344
Legal and professional	80,916	80,916	35,875	45,041
Advertising	61,100	61,100	56,712	4,388
Maintenance and repairs	51,700	51,700	47,847	3,853
Operating expense	35,401	35,401	46,323	(10,922)
Rent	12,000	12,000	12,000	-
Pilot program	5,000	5,000	17,911	(12,911)
Depreciation	3,300	3,300	3,814	(514)
Total governmental activities	<u>401,050</u>	<u>401,050</u>	<u>585,785</u>	<u>(184,735)</u>
Excess revenues over expenditures	<u>-</u>	<u>(7,300)</u>	214,684	<u>221,984</u>
Fund balance, beginning of the year			<u>468,196</u>	
Fund balance, end of year			<u>\$ 682,880</u>	

**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 Industrial Development Board
of the County of Roane, Tennessee
Kingston, Tennessee

We have audited the financial statements of the Industrial Development Board of the County of Roane, Tennessee, “a component unit of the Roane County Government”, as of and for the year ended June 30, 2009, and have issued our report thereon dated October 27, 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 Industrial Development Board of the County of Roane, Tennessee, “a component unit of the Roane County Government”, internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Industrial Development Board of the County of Roane, Tennessee, internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Industrial Development Board of the County of Roane, Tennessee’s, internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Industrial Development Board of the County of Roane, Tennessee’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Industrial Development Board of the County of Roane, Tennessee financial statements that is more than inconsequential will not be prevented or detected by the Industrial Development Board of the County of Roane, Tennessee’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 the Industrial Development Board of the County of Roane, Tennessee’s internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider item 2009-1 to be a material weakness.

Compliance and Other Matters

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

The Board's response to the finding identified in our audit is described in the accompanying 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 and use of management, the audit committee, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Roderick Mott & Co, PLLC". The signature is written in a cursive, flowing style.

Knoxville, Tennessee
October 27, 2009

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Schedule of Findings and Responses
Year Ended June 30, 2009

2009-1 Financial Statement and Footnote Preparation

CONDITION – An entity being audited is required to have sufficient internal control over financial reporting to allow management to prepare their own financial statements and footnotes in accordance with generally accepted accounting principles (GAAP). Due to limitations on staff size and resources, the Board's current internal control structure does not meet this requirement. Management obtains assistance from its external audit firm for the preparation of annual financial statements and footnotes in accordance with GAAP. Although this results in financial statements which are in accordance with GAAP, the external audit firm cannot and is not considered to be a part of the Board's internal control structure. This was also a finding in the 2008 audit.

RECOMMENDATION – The Board should consider whether it should obtain training for its staff to allow them to prepare financial statements in accordance with GAAP or continue to rely on others for this service.

MANAGEMENT'S RESPONSE – The Board is a small entity with limited resources. Management has determined that it is more cost efficient to obtain assistance from its external auditors for the preparation of the annual financial statements and footnotes in accordance with GAAP. Management will continue to review the financial statements and footnotes and take responsibility for them.