

**EAST TENNESSEE REGIONAL AGRIBUSINESS
MARKETING AUTHORITY**

FINANCIAL STATEMENTS

Fiscal Year Ended June 30, 2010

**with
INDEPENDENT AUDITORS' REPORT**

**McFarland and Gann, P.C.
Certified Public Accountants
Jefferson City, Tennessee**

EAST TENNESSEE REGIONAL AGRIBUSINESS MARKETING AUTHORITY
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INDEPENDENT AUDITORS' REPORT

Board of Directors
East Tennessee Regional Agribusiness Marketing Authority
White Pine, Tennessee

We have audited the accompanying basic financial statements of East Tennessee Regional Agribusiness Marketing Authority as of and for the year ended June 30, 2010 as listed in the table of contents. These financial statements are the responsibility of the management of East Tennessee Regional Agribusiness Marketing Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Tennessee Regional Agribusiness Marketing Authority as of June 30, 2010, and the changes in its net assets and its cash flows 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 June 12, 2012 on our consideration of East Tennessee Regional Agribusiness Marketing Authority's internal control over financial reporting and 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of East Tennessee Regional Agribusiness Marketing Authority. The supplementary information is presented for additional analysis and is not a required part of the basic financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

McFarland and Gann, P.C.

June 12, 2012

EAST TENNESSEE REGIONAL AGRIBUSINESS MARKETING AUTHORITY
STATEMENT OF NET ASSETS
June 30, 2010

ASSETS

Current Assets	
Cash and cash equivalents	\$ 287,851
Prepaid insurance	<u>1,062</u>
Total Current Assets	288,913
Noncurrent Assets	
Utility deposits	360
Capital assets	
Land	463,549
Land improvements	2,506,093
Building	2,112,635
Equipment	<u>499,856</u>
Total capital assets	5,582,133
Accumulated depreciation	<u>(1,051,997)</u>
Net capital assets	<u>4,530,136</u>
Total Noncurrent Assets	<u>4,530,496</u>
TOTAL ASSETS	<u>\$ 4,819,409</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Current liabilities payable from current assets	
Accounts payable	\$ 125
Accrued liabilities	8,500
Prepaid rent	<u>1,700</u>
Total Liabilities	10,325
Net Assets	
Invested in capital assets	4,530,136
Unrestricted	<u>278,948</u>
Total Net Assets	<u>4,809,084</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,819,409</u>

See notes to financial statements.

EAST TENNESSEE REGIONAL AGRIBUSINESS MARKETING AUTHORITY
STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS
Year Ended June 30, 2010

OPERATING REVENUES

Charges for sales and service	
Commissions on farm products sold	\$ 3,437
Lease income	111,555
Scale usage	<u>1,190</u>

TOTAL OPERATING REVENUES 116,182

OPERATING EXPENSES

Administrative	
Bank charges	20
Contracted services	17,093
Utilities	2,392
Telephone	981
Insurance	15,749
Repairs and maintenance	3,422
Supplies	178
Professional services	3,308
Miscellaneous	<u>202</u>

Total Administrative 43,345

Depreciation 80,504

TOTAL OPERATING EXPENSES 123,849

OPERATING LOSS (7,667)

NON-OPERATING REVENUE

Interest income	1,867
Grant Income	<u>15,549</u>

TOTAL NON-OPERATING REVENUE 17,416

CHANGES IN NET ASSETS 9,749

NET ASSETS, JULY 1, 2009 4,799,335

NET ASSETS, JUNE 30, 2010 \$ 4,809,084

See notes to financial statements.

EAST TENNESSEE REGIONAL AGRIBUSINESS MARKETING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended June 30, 2010

Cash Flows From Operating Activities	
Cash received from sale of farm products	\$ 102,213
Cash received from lease income	111,355
Cash received from scale usage	1,190
Cash payments for farm products	(99,039)
Cash payments to suppliers for goods and services	<u>(33,279)</u>
Net Cash Provided By Operating Activities	82,440
Cash Flows From Noncapital Financing Activities	-
Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	(15,549)
Capital grant	<u>15,549</u>
Net Cash Used By Capital and Related Financing Activities	-
Cash Flows From Investing Activities	
Interest Income	<u>1,867</u>
Net Decrease in Cash and Cash Equivalents	84,307
Cash and Cash Equivalents, July 1, 2009	<u>203,544</u>
Cash and Cash Equivalents, June 30, 2010	<u><u>\$ 287,851</u></u>
Reconciliation of Net Loss From Operations to Net Cash Provided by Operating Activities	
Operating loss	\$ (7,667)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	80,504
Decrease in prepaid insurance	10,266
Decrease in accounts payable	(263)
Decrease in accrued liabilities	(200)
Decrease in prepaid rent	<u>(200)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 82,440</u></u>

See notes to financial statements.

EAST TENNESSEE REGIONAL AGRIBUSINESS MARKETING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The East Tennessee Regional Agribusiness Marketing Authority (the "Authority") was created in 1998 under Title 64 of the Code of the State of Tennessee. The Authority was created as a public and governmental body acting as an agent and instrumentality of the counties with respect to which the authority is organized. The purpose of the Authority is to establish and operate a market for agricultural products of the region through a food distribution center, to provide farmers of the region with a ready market for agricultural products, and to provide the citizens of the region and other buyers a convenient place to purchase these products. The accounting policies of the Authority conform to generally accepted accounting principles applicable to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Authority are described below.

Basis of Presentation

The Authority is governed by a Board of Directors consisting of the county mayor of each county, or the county mayor's designee. The following counties comprise the authority: Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, Johnson, Sullivan, Unicoi and Washington. The Authority's board also has (2) non-voting members including the Commissioner of the Department of Agriculture or the commissioner's designee, and the Dean of the University of Tennessee Agricultural Extension Service, or the dean's designee. The board has an executive committee consisting of the chairman, vice chairman, secretary, treasurer, and the center manager as an ex officio member. The executive committee is authorized to act on behalf of the board in the day to day operations of the authority.

The Authority operates as a governmental enterprise fund, used for activities which are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

EAST TENNESSEE REGIONAL AGRIBUSINESS MARKETING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Definition of Operating Activities

The Authority considers operating revenues and expenses to be those that result from providing a market for agricultural products of the region and from the lease of other commercial property owned by the Authority.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurement made, regardless of the measurement focus applied.

The Authority's records are accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recorded when they are earned, and expenses are recorded at the time liabilities are incurred.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents includes bank demand deposits and all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets owned by the Authority are recorded at cost. Repairs and maintenance are recorded as expenses. Betterments and renewals are capitalized. Depreciation of fixed assets is charged as an expense against its operations. Accumulated depreciation is reported on the balance sheet.

The Authority has provided for depreciation over the estimated useful lives of assets using the straight line method. The estimated useful lives are as follows:

Buildings	40 years
Equipment	5 - 20 years

Estimates

The preparation of these financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

EAST TENNESSEE REGIONAL AGRIBUSINESS MARKETING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE B - CASH AND INVESTMENTS

The Authority maintained checking and savings accounts at Community National Bank during the year ended June 30, 2010. State law requires deposits of the Authority's funds to be insured or collateralized. At June 30, 2010 the Authority had deposits totaling \$287,851. Funds in excess of the Federal Deposit Insurance Corporation insured amounts of \$250,000 were secured by the bank's pledge of collateral through their participation in the State of Tennessee collateral pool.

NOTE C – RESTRICTED NET ASSETS

The Authority had no restricted net assets at June 30, 2010.

NOTE D – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010 is as follows:

	<u>July 1, 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2010</u>
Non-depreciable assets:				
Land	\$ 463,549	\$ -	\$ -	\$ 463,549
Land improvements	<u>2,506,093</u>	<u>-</u>	<u>-</u>	<u>2,506,093</u>
Total non-depreciable assets	2,969,642	-	-	2,969,642
Depreciable assets:				
Buildings	2,112,635	-	-	2,112,635
Equipment	<u>484,307</u>	<u>15,549</u>	<u>-</u>	<u>499,856</u>
Total depreciable assets	2,596,942	15,549	-	2,612,491
Less accumulated depreciation for:				
Buildings	762,186	53,004	-	815,190
Equipment	<u>209,307</u>	<u>27,500</u>	<u>-</u>	<u>236,807</u>
Total accumulated depreciation	<u>971,493</u>	<u>80,504</u>	<u>-</u>	<u>1,051,997</u>
Total net depreciable assets	<u>1,625,449</u>	<u>(64,955)</u>	<u>-</u>	<u>1,560,494</u>
Total net capital assets	<u>\$ 4,595,091</u>	<u>\$ (64,955)</u>	<u>\$ -</u>	<u>\$ 4,530,136</u>

EAST TENNESSEE REGIONAL AGRIBUSINESS MARKETING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE E - RISK FINANCING ACTIVITIES

The Authority is exposed to various risks related to general liability and property and casualty losses. The Authority carries commercial insurance to cover their risks related to general liability, property and casualty and officers and directors.

Settled claims have not exceeded their commercial coverage in any of the past three years.

NOTE F – LEASING OPERATIONS AND GEOGRAPHICAL RISK

The Authority receives a major portion of its income from leasing real estate. The lease periods are normally for a period of one year.

Also, the Authority's operations are centered in the Upper East Tennessee region and are dependent on farmers of the area providing produce for sale at the market.

EAST TENNESSEE REGIONAL AGRIBUSINESS MARKETING AUTHORITY
OTHER INFORMATION
AUTHORITY DIRECTORS AND OFFICERS (Unaudited)

Jack Daniels
Alan Broyles
Melville Bailey
Steve M. Godsey
Vaughn Moore
Alan Palmieri
Greg Lynch
Bill Brittain
Mark Hipsher
Thomas Harrison
Larry Potter
Dan Eldridge

Terry Oliver

Cornell Howard

Claiborne County
Greene County
Hawkins County
Sullivan County
Cocke County
Jefferson County
Unicoi County
Hamblen County
Grainger County
Hancock County
Johnson County
Washington County

Tennessee Commissioner of Agriculture

Manager

INDEPENDENT AUDITORS' 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
East Tennessee Regional Agribusiness Marketing Authority
White Pine, Tennessee

We have audited the accompanying financial statements of the East Tennessee Regional Agribusiness Marketing Authority as of and for the year ended June 30, 2010 and have issued our report thereon dated June 12, 2012. 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

Management of the East Tennessee Regional Agribusiness Marketing Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered East Tennessee Regional Agribusiness Marketing Authority'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 East Tennessee Regional Agribusiness Marketing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of East Tennessee Regional Agribusiness Marketing Authority's internal control over financial reporting.

A deficiency in internal control 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, and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of East Tennessee Regional Agribusiness Marketing Authority's financial statements will not be prevented or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Tennessee Regional Agribusiness Marketing Authority'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*.

This report is intended solely for the information and use of management, the board of directors of East Tennessee Regional Agribusiness Marketing Authority and the State of Tennessee, Division of County Audit and is not intended to be and should not be used by anyone other than these specified parties.

McFarland and Gann, P.C.

June 12, 2012