

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE

Financial Statements and
Supplementary Information

Years Ended June 30, 2010 and 2009

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Financial Statements and Supplementary Information
Years Ended June 30, 2010 and 2009

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THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Officers and Board Members
Year Ended June 30, 2010

OFFICERS

Leslie Henderson

President and CEO (The Roane Alliance, Inc.)

BOARD MEMBERS

David Webb
Bob Lunsford
Jerry Stephens

Chairman
Vice Chairman
Secretary Treasurer

OTHER BOARD MEMBERS

Kyle Agee, Jr.
Ron Berry
Bob Kyker

Jane Long
James Owens
Jim Palmer

Industrial Development Board of The County
Of Roane, Tennessee

To the County Executive,
Members of the Board of Commissioners,
Board of Directors, and Citizens of
Roane County, Tennessee

Annual Financial Report

The annual financial report of the Industrial Development Board of the County of Roane, Tennessee (a Component unit of Roane County, Tennessee) for the fiscal year ended June 30, 2010, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Board's management. To the best of our acknowledgement and belief, the enclosed data is accurate and all disclosures necessary to enable the reader to gain an understanding of the Board's financial activities have been included.

The annual financial report is presented in two sections: introductory and financial. The introductory section includes this transmittal letter and list of official management and board members. The financial section includes the report of the independent auditor, the management discussion and analysis, the basic financial statements, and supplemental information.

The Industrial Development Board of the County of Roane, Tennessee is governed by a nine (9) member board of directors. The purpose of the Board is to promote industrial development, provide additional job opportunities in Roane County, Tennessee.

Fund Descriptions

The accounts of the Board are organized on the basis of funds, each of which is considered a separate accounting entity. The operation of the funds is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and, as applicable, expenditures and expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with special regulations, restrictions, or limitations. The funds by the Board are as follows:

Governmental funds: These funds are used to account for the program and activities of the governmental functions of the Industrial Development Board

General fund: This fund serves as the general operating fund of the Board. It is used to account for all financial resources of the Board.

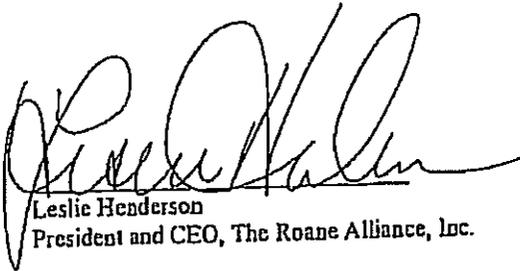
Risk Management

The Board acquires commercial insurance for the risk of losses to which it is exposed. These risks include general liability and property and casualty.

Cash Management

At the end of the fiscal year, June 30, 2010, the Board has approximately \$822,000 in bank accounts.

Respectively submitted,

A handwritten signature in black ink, appearing to read "Leslie Henderson", written over a horizontal line.

Leslie Henderson
President and CEO, The Roane Alliance, Inc.

- Certified Public Accountants
- Business Advisors

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608 Mabry Hood Road
Knoxville, TN 37932



Independent Auditors' 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, 2010 and 2009, 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, 2010 and 2009, 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 1, 2010, 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 6 through 9, 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 1, 2010

Very truly yours,



Rodefer Moss & Co, PLLC



THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Management's Discussion and Analysis
June 30, 2010

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, 2010.

Financial Highlights

- The net assets of the Board exceeded its liabilities at June 30, 2010 by \$7,113,730.
- The Board's net assets increased by \$79,818 from July 1, 2009 to June 30, 2010.
- Capital assets increased by \$56,638, 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, 2010. 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 as of June 30, 2010 increased by \$56,936 compared to June 30, 2009. The increase was due primarily to an increase in cash as a result of more conservative spending and a decrease in total expenses for the year.

Capital assets as of June 30, 2010 increased by \$56,638, net of depreciation, compared to June 30, 2009.

Other assets as of June 30, 2010 remained consistent compared to June 30, 2009.

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, 2010 and 2009 is noted in the following table:

	<u>2010</u>	<u>2009</u>
Capital assets not being depreciated		
Land and improvements	\$ 5,919,032	\$ 5,949,240
Legal & start up costs	<u>213,577</u>	<u>213,577</u>
Total capital assets not being depreciated	<u>6,132,609</u>	<u>6,162,817</u>
Capital assets being depreciated		
Buildings and improvements	240,102	145,780
Water tank	65,300	65,300
Furniture and fixtures	7,000	7,000
Office equipment	9,844	9,844
Less: accumulated depreciation	<u>(47,185)</u>	<u>(39,709)</u>
Total capital assets being depreciated, net	<u>275,061</u>	<u>188,215</u>
Capital assets, net	<u>\$ 6,407,670</u>	<u>\$ 6,351,032</u>

Total liabilities increased by \$33,756 as of June 30, 2010, compared to June 30, 2009. The increase is primarily due to an increase in the amount owed to Roane Alliance of \$30,606.

A portion of the Board's net assets (90% at June 30, 2010 and 2009) represents an investment in capital 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, 2010 compared to June 30, 2009 is as follows:

	<u>Fiscal year ending 6/30/10</u>	<u>Fiscal year ending 6/30/09</u>	<u>Increase/ (Decrease)</u>
Assets			
Capital assets	\$ 6,407,671	\$ 6,351,032	\$ 56,639
Current assets	822,212	765,276	56,936
Other assets	<u>75,174</u>	<u>75,174</u>	<u>-</u>
Total assets	<u>\$ 7,305,057</u>	<u>\$ 7,191,482</u>	<u>\$ 113,575</u>
Liabilities and net assets			
Current liabilities	\$ 66,301	\$ 32,545	\$ 33,756
Other liabilities	<u>125,025</u>	<u>125,025</u>	<u>-</u>
Total liabilities	<u>191,326</u>	<u>157,570</u>	<u>33,756</u>
Net assets			
Invested in capital assets, net of related debt	6,407,670	6,351,032	56,638
Unrestricted	<u>706,060</u>	<u>682,880</u>	<u>23,180</u>
Total net assets	<u>7,113,730</u>	<u>7,033,912</u>	<u>79,818</u>
Total liabilities and net assets	<u>\$ 7,305,056</u>	<u>\$ 7,191,482</u>	<u>\$ 113,574</u>

Revenues, Expenses and Changes in Net Assets

Revenues

Revenues decreased by \$312,755 in the fiscal year ending June 30, 2010, compared to June 30, 2009 due primarily to a decrease in revenues of \$200,974 related to inter-governmental receipts and a decrease of logging proceed revenues of \$122,041.

Expenses

Expenses in fiscal year 2010 increased by \$54,612, when compared to fiscal year 2009. The increase is due primarily to an increase in logging expenses of \$76,080.

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

Summary of Changes in Net Assets

A summarized comparison of the changes in net assets for fiscal years 2010 and 2009 is shown below:

	<u>Fiscal year ending 6/30/10</u>	<u>Fiscal year ending 6/30/09</u>
Program revenues, by major source		
Pilot program	\$ -	\$ 2,647
Grants	<u>10,000</u>	<u>-</u>
Total program revenues	<u>10,000</u>	<u>2,647</u>
General revenues, by major source		
Intergovernmental receipts	450,290	651,364
Miscellaneous	<u>27,826</u>	<u>160,587</u>
Total general revenues	<u>478,116</u>	<u>811,951</u>
Total revenues	<u>488,116</u>	<u>814,598</u>
Expenses		
Other expenses	<u>379,948</u>	<u>325,336</u>
Total expenses	<u>379,948</u>	<u>325,336</u>
Change in net assets before transfers	108,168	489,262
Transfers out	<u>(28,350)</u>	<u>(95,640)</u>
Change in net assets	<u>\$ 79,818</u>	<u>\$ 393,622</u>

Future Outlook

With the downturn in the economy, the activity level of industrial prospects has continued to be sporadic in 2010 and although the second half of 2010 has shown prospect inquiries increasing significantly, we expect that we will not see a return to 2007 levels until 2011. 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 2010-2011 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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets		
Cash	\$ 822,212	\$ 765,276
Total current assets	<u>822,212</u>	<u>765,276</u>
Capital Assets		
Land and other non-depreciable assets	6,263,209	6,162,817
Other capital assets, net of accumulated depreciation	<u>144,461</u>	<u>188,215</u>
Total capital assets	<u>6,407,670</u>	<u>6,351,032</u>
Other Assets		
Due from Roane Alliance, Inc.	21,242	21,242
Certificate of deposit	<u>53,932</u>	<u>53,932</u>
Total other assets	<u>75,174</u>	<u>75,174</u>
Total assets	<u>\$ 7,305,056</u>	<u>\$ 7,191,482</u>
LIABILITIES		
Current Liabilities		
Due to Roane County	\$ 3,150	\$ -
Due to Roane Alliance, Inc.	<u>63,151</u>	<u>32,545</u>
Total current liabilities	<u>66,301</u>	<u>32,545</u>
Long-term liabilities		
Land sale deposits	<u>125,025</u>	<u>125,025</u>
Total long-term liabilities	<u>125,025</u>	<u>125,025</u>
Total liabilities	<u>\$ 191,326</u>	<u>\$ 157,570</u>
NET ASSETS		
Invested in capital assets	\$ 6,407,670	\$ 6,351,032
Unrestricted	<u>706,060</u>	<u>682,880</u>
Total net assets	<u>\$ 7,113,730</u>	<u>\$ 7,033,912</u>

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Statement of Activities
Year ended June 30, 2010

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	\$ 379,948	\$ -	\$ -	\$ (379,948)	\$ -	\$ (379,948)
Total governmental activities	<u>379,948</u>	<u>-</u>	<u>-</u>	<u>(379,948)</u>	<u>-</u>	<u>(379,948)</u>
General Revenue						
Industrial park				387,250	-	387,250
Intergovernmental receipts				63,040	-	63,040
Logging proceeds				7,085	-	7,085
Gain on sale of land				402	-	402
Miscellaneous revenue				<u>30,339</u>	<u>-</u>	<u>30,339</u>
Total general revenue				<u>488,116</u>	<u>-</u>	<u>488,116</u>
Payments to primary government				<u>(28,350)</u>	<u>-</u>	<u>(28,350)</u>
Change in net assets				79,818	-	79,818
Net assets at the beginning of the year				<u>7,033,912</u>	<u>-</u>	<u>7,033,912</u>
Net assets at the end of the year				<u>\$ 7,113,730</u>	<u>\$ -</u>	<u>\$ 7,113,730</u>

See notes to financial statements.

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

	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
Function/Programs						
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 COUNTY OF ROANE, TENNESSEE
Balance Sheets -
Governmental Fund
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current Assets		
Cash	\$ 822,212	\$ 765,276
Total current assets	822,212	765,276
Other Assets		
Due from Roane Alliance, Inc.	21,242	21,242
Certificate of deposit	<u>53,932</u>	<u>53,932</u>
Total assets	<u>\$ 897,386</u>	<u>\$ 840,450</u>
LIABILITIES AND FUND BALANCE		
Current Liabilities		
Due to Roane County	\$ 3,150.00	\$ -
Due to Roane Alliance	<u>63,151</u>	<u>32,545</u>
Total current liabilities	<u>66,301</u>	<u>32,545</u>
Long-term liabilities		
Land sale deposits	<u>125,025</u>	<u>125,025</u>
Total long-term liabilities	<u>125,025</u>	<u>125,025</u>
Total liabilities	<u>191,326</u>	<u>157,570</u>
Fund balance		
Unrestricted	<u>706,060</u>	<u>682,880</u>
Total liabilities and fund balance	<u>\$ 897,386</u>	<u>\$ 840,450</u>

Reconciliation to the Statement of Net Assets

Total fund balance as shown above	\$ 706,060	\$ 682,880
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>6,407,670</u>	<u>6,351,032</u>
Net assets of governmental activities	<u>\$ 7,113,730</u>	<u>\$ 7,033,912</u>

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEEE
Statements of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Fund
Years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenues		
Industrial park	\$ 387,250	\$ 387,350
Intergovernmental receipts	63,040	264,014
Miscellaneous income	30,339	17,332
Logging proceeds	7,085	129,126
Pilot fees	-	2,647
	<hr/>	<hr/>
Total revenues	487,714	800,469
	<hr/>	<hr/>
Expenditures		
Logging	105,102	-
Payroll	103,585	101,289
Improvements	63,040	264,014
Advertising and marketing	60,344	56,712
Legal and professional	46,735	35,875
Repairs and maintenance	36,250	47,847
Land sale	28,350	95,640
Insurance	14,375	14,922
Rent	12,000	12,000
Other	10,913	9,501
Travel	4,751	20,067
Utilities	2,126	2,076
Equipment	2,042	2,079
Office	1,688	1,492
Pilot program	1,583	17,911
	<hr/>	<hr/>
Total expenditures	492,884	681,425
	<hr/>	<hr/>
Excess of revenues over expenditures	(5,170)	119,044
Other Financing Sources		
Proceeds from sale of land	28,350	95,640
	<hr/>	<hr/>
Net change in fund balance	23,180	214,684
Fund balance at the beginning of the year	682,880	468,196
	<hr/>	<hr/>
Fund balance at the end of the year	<u>706,060</u>	<u>\$ 682,880</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Reconciliation to the Statement of Activities</u>		
Net change in fund balance	\$ 23,180	\$ 214,684
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	63,040	264,014
Additions to capital assets	29,022	249
Depreciation expense reported in the statement of activities	<u>(7,476)</u>	<u>(3,814)</u>
	<u>84,586</u>	<u>260,449</u>
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 on the disposal is reported.		
Proceeds from disposition of capital assets as reported on the governmental funds operating statement	(28,350)	(95,640)
Gain on disposition reported on the statement of activities	<u>402</u>	<u>14,129</u>
Book value of capital assets disposed of	<u>(27,948)</u>	<u>(81,511)</u>
Change in net assets of governmental activities	<u>\$ 79,818</u>	<u>\$ 393,622</u>

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Notes to Financial Statements
June 30, 2010 and 2009

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 have been prepared in conformity with accounting principals generally accepted in the United States of America. 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.

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.

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.

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.

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.

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.

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

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 include: (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 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.

Accounts Receivable - Accounts receivable consist primarily of amounts due from a related party. Amounts are reconciled monthly and assessed for collectability. Management does not believe an allowance for doubtful accounts is needed at June 30, 2010.

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.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Reclassifications - Reclassifications have been made to the prior year's financial statement presentation to correspond to the current year's format. Total fund balance, net assets, and changes in fund balance and net assets were not effected due to these reclassifications.

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, 2010 and 2009, the carrying amount of the Board's deposits was \$822,212 and \$765,276, respectively.

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 Board entered into a lease agreement with Dienamic Tooling Systems, Inc. ("Dienamic") on December 31, 2004. Dienamic paid the Board \$26,667 for three years as base rent and \$1 a year until December 31, 2021. The lessee has the option to purchase the leased property at any time for \$1.

NOTE 6 - RELATED PARTY TRANSACTIONS

Roane County Government is a related party of the Board. Transfers in the amounts of \$387,250 and \$387,350, respectively, were received from Roane County Government for the fiscal years ending June 30, 2010 and 2009.

NOTE 7 - 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.

NOTE 8 - ECONOMIC DEPENDENCY

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

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

NOTE 9 - CAPITAL ASSETS

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

	Balance July 1, 2009	Additions	Disposals	Transfers	Balance June 30, 2010
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 5,914,462	\$ 63,040	\$ 27,948	\$ 65,300	\$ 5,884,254
Land improvements	34,778	-	-	-	34,778
Legal & Start Up - Macedonia	<u>213,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,577</u>
Total assets not being depreciated	<u>6,162,817</u>	<u>63,040</u>	<u>27,948</u>	<u>65,300</u>	<u>6,132,609</u>
Other capital assets					
Water tank	65,300	-	-	-	65,300
Furniture and fixtures	7,000	-	-	-	7,000
Office equipment	9,844	-	-	-	9,844
Improvements	<u>145,780</u>	<u>29,022</u>	<u>-</u>	<u>(65,300)</u>	<u>240,102</u>
Total other assets	<u>227,924</u>	<u>29,022</u>	<u>-</u>	<u>(65,300)</u>	<u>322,246</u>
Less accumulated depreciation for:					
Water tank	\$ (21,651)	\$ (1,633)	\$ -	\$ -	(23,284)
Furniture and fixtures	(4,550)	(700)	-	-	(5,250)
Office equipment	(5,152)	(1,169)	-	-	(6,321)
Improvements	<u>(8,356)</u>	<u>(3,974)</u>	<u>-</u>	<u>-</u>	<u>(12,330)</u>
Total accumulated depreciation	<u>(39,709)</u>	<u>(7,476)</u>	<u>-</u>	<u>-</u>	<u>(47,185)</u>
Other capital assets, net	<u>188,215</u>	<u>21,546</u>	<u>-</u>	<u>(65,300)</u>	<u>275,061</u>
Governmental activities capital assets, net	<u>\$ 6,351,032</u>	<u>\$ 84,586</u>	<u>\$ 27,948</u>	<u>\$ -</u>	<u>\$ 6,407,670</u>

Depreciation was charged to functions as follows:

Governmental Activities	
General Government	<u>\$ 7,476</u>

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

NOTE 9 - CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2009 is as follows:

	Balance July 1, 2008	Additions	Disposals	Transfers	Balance June 30, 2009
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 5,731,959	\$ 264,014	\$ 81,511	\$ -	\$ 5,914,462
Land improvements	34,778	-	-	-	34,778
Legal & Start Up - Macedonia	<u>213,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,577</u>
Total assets not being depreciated	<u>5,980,314</u>	<u>264,014</u>	<u>81,511</u>	<u>-</u>	<u>6,162,817</u>
Other capital assets					
Water tank	65,300	-	-	-	65,300
Furniture and fixtures	7,000	-	-	-	7,000
Office equipment	9,595	249	-	-	9,844
Improvements	<u>145,780</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>145,780</u>
Total other assets	<u>227,675</u>	<u>249</u>	<u>-</u>	<u>-</u>	<u>227,924</u>
Less accumulated depreciation for:					
Water tank	\$ (15,348)	\$ (1,632)	\$ -	\$ 4,671	(21,651)
Furniture and fixtures	(3,850)	(700)	-	-	(4,550)
Office equipment	(4,559)	(593)	-	-	(5,152)
Improvements	<u>(12,138)</u>	<u>(889)</u>	<u>-</u>	<u>(4,671)</u>	<u>(8,356)</u>
Total accumulated depreciation	<u>(35,895)</u>	<u>(3,814)</u>	<u>-</u>	<u>-</u>	<u>(39,709)</u>
Other capital assets, net	<u>191,780</u>	<u>(3,565)</u>	<u>-</u>	<u>-</u>	<u>188,215</u>
Governmental activities capital assets, net	<u>\$ 6,172,094</u>	<u>\$ 260,449</u>	<u>\$ 81,511</u>	<u>\$ -</u>	<u>\$ 6,351,032</u>

Depreciation was charged to functions as follows:

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

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

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, 2010 and 2009 for \$28,350 and \$95,640, respectively. The sales had a land cost in 2010 and 2009 of \$27,948 and \$81,511, respectively. The Board submits all proceeds from the sales of land to the Roane County Government.

NOTE 12 - DEFERRED REVENUE

The board has deferred revenue of \$125,025 at June 30, 2010 and 2009, respectively. This deferred revenue represents deposits that have been received related to future land sales that were not completed as of June 30, 2010 and 2009. The sales related to these deposits are not anticipated to be completed within the next operating cycle and, therefore, the deferred revenue is recognized as a long-term liability.

NOTE 13 - CONCENTRATION OF CREDIT RISK

The Board places its temporary cash and cash equivalents with financial institutions and limits the amount of credit exposure to any one financial institution. From time to time the Board's cash balances may fluctuate above the federally insured limits. As of June 30, 2010, the Board had no significant concentrations of credit risk.

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

NOTE 14 - SUBSEQUENT EVENTS

Subsequent to year end, the Board was the recipient of a revenue note in the amount of \$16,900,842, whereby enabling it to purchase a facility and then lease it back to the original owner. The revenue note is payable in monthly installments of \$146,704, including interest at 6.35%, through June 2016.

Under the terms of the subsequent lease, the Board will receive \$100,000 per year in base rent through February 2020. The lessee has the option to purchase the facility at anytime for \$100 and the remaining portion of the note.

The Board has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2010 for additional items that should potentially be recognized or disclosed in the financial statements. The evaluation was conducted through the date of these financial statements, October 1, 2010 and no additional items of a significant nature were noted.

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, 2010

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
General revenue				
Intergovernmental receipts	\$ 387,250	\$ 387,250	\$ 450,290	\$ 63,040
Pilot fees	3,500	3,500	-	(3,500)
Grants	1,500	1,500	10,000	8,500
Logging proceeds	-	-	7,085	7,085
Miscellaneous revenue	3,500	3,500	20,339	16,839
Total general revenues	395,750	395,750	487,714	91,964
Governmental activity expenditures				
Improvements	-	-	63,040	(63,040)
Payroll	152,453	152,453	103,585	48,868
Legal and professional	81,416	81,416	46,735	34,681
Advertising and marketing	62,917	62,917	60,344	2,573
Repairs and maintenance	51,320	51,320	36,250	15,070
Land sale	-	-	28,350	(28,350)
Operating expense	29,402	29,402	33,853	(4,451)
Rent	14,242	14,242	12,000	2,242
Pilot program	4,000	4,000	1,583	2,417
Logging	-	-	105,102	(105,102)
Equipment	-	-	2,042	(2,042)
Total governmental activities	395,750	395,750	492,884	(97,134)
Excess revenues over expenditures	-	-	(5,170)	(5,170)
Other Financing Sources				
Proceeds from sale of land	-	-	28,350	(63,040)
Net change in fund balance	\$ -	\$ -	23,180	\$ (68,210)
Fund balance at the beginning of the year			682,880	
Fund balance at the end of the year			\$ 706,060	

- Certified Public Accountants
- Business Advisors

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To The 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, 2010, and have issued our report thereon dated October 1, 2010. 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.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. We consider items 2010-1 and 2010-2 to be significant deficiencies. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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.

Very truly yours,



Rodefer Moss & Co, PLLC

Knoxville, Tennessee
October 1, 2010



THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Schedule of Findings and Responses
Year Ended June 30, 2010

2010-1 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 2009 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.

2010-2 Proper Reconciliation of Accounts

CONDITION - The Board had not properly reconciled several accounts, including recording the land sale in the current year. Due to certain accounts not being reconciled properly, our audit resulted in several material journal entries to areas such as net assets, capital assets, cash, due to related parties, and certain revenue and expense accounts.

RECOMMENDATION - The Board should implement controls and work with its outside bookkeeper to ensure these accounts are properly reconciled prior to commencement of the annual audit.

MANAGEMENT'S RESPONSE - The board will work with its outside bookkeeper to address these issues.