THE INDUSTRIAL DEVELOPMENT BOARD OF HUMPHREYS COUNTY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

This page left blank intentionally.

THE INDUSTRIAL DEVELOPMENT BOARD
OF HUMPHREYS COUNTY, TENNESSEE
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2011

TABLE OF CONTENTS

Introductory Section

Roster of Board Members..... 1

Financial Section

Independent Auditor's Report..... 2-3
Basic Financial Statements:
Balance Sheet/Statement of Net Assets..... 4
Statement of Revenues, Expenditures and Changes
in Fund Balance/Statement of Activities..... 5
Notes to Financial Statements..... 6-9

Supplementary Information

Budgetary Comparison Schedule..... 10

Internal Control and Compliance section

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..... 11-12

Schedule of Findings and Recommendations..... 13

INTRODUCTORY SECTION

THE INDUSTRIAL DEVELOPMENT BOARD OF
HUMPHREYS COUNTY

ROSTER OF OFFICIALS

JUNE 30, 2011

Officials	Position
Camilla T. Moore	Chairman
John Lee Williams	General Counsel and Secretary
Francis E. Tarpy	Board Member
Daniel Waggoner	Board Member
Diana R. Mullinicks	Board Member
Stephen R. May	Board Member
Gary M. Mealer	Board Member
Robert W. Dodd	Board Member

FINANCIAL SECTION

DURHAM, NUNNERY, BROOKS & POYNER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1040 WEST MAIN STREET – P.O.BOX 444
WAVERLY, TENNESSEE 37185
PHONE 931-296-3107 – FAX 931-296-1658

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Industrial Development Board
Of Humphreys County
Waverly, Tennessee

We have audited the accompanying financial statements of the governmental activities and each governmental major fund of the Industrial Development Board of the County of Humphreys (a related entity of Humphreys County, Tennessee) as of and for the year ended June 30, 2011, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Industrial Development Board of Humphreys County. 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 respective financial position of the governmental activities and each governmental major fund of the Industrial Development Board of Humphreys County as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued a report dated September 1, 2011, on our consideration of the Industrial Development Board of Humphreys County's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, if applicable. 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 Industrial Development Board of Humphreys County has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 contest. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, as listed in the table of contents, 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 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 financial statements taken as a whole. The accompanying information listed as introductory information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Industrial Development Board of Humphreys County. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on the introductory section.

Durham, Nunnery, Brooks & Poyner, P.C.

Durham, Nunnery, Brooks & Poyner, P.C.
Certified Public Accountings
September 1, 2011

THE INDUSTRIAL DEVELOPMENT BOARD OF
HUMPHREYS COUNTY, TENNESSEE
GOVERNMENTAL ACTIVITIES - GENERAL FUND (ONLY FUND)
BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2011

ASSETS	Balance Sheet	Adjustments (Note 2)	Statement of Net Assets
Current Assets			
Cash and Cash Equivalents	$ 150,271.76	$ -	$ 150,271.76
Interest Receivable	-	1,364.32	1,364.32
Total Current Assets	150,271.76	1,364.32	151,636.08
Captal Assets			
Land	-	100,000.00	100,000.00
Total Capital Assets	-	100,000.00	100,000.00
TOTAL ASSETS	$ 150,271.76	$ 101,364.32	$ 251,636.08
LIABILITIES AND FUND BALANCES/NET ASSETS			
Current Liabilities			
Deferred Revenue	$ -	$ 7,336.24	$ 7,336.24
Total Current Liabilities	-	7,336.24	7,336.24
Fund Balances			
Unreserved - Undesignated	150,271.76	(150,271.76)	-
Total Fund Balances	150,271.76	(150,271.76)	-
TOTAL LIABILITIES AND FUND BALANCES	$ 150,271.76		7,336.24
Net Assets			
Invested in Capital Assets		100,000.00	100,000.00
Unrestricted		144,299.81	144,299.81
Total Net Assets		$ 244,299.81	244,299.81
TOTAL LIABILITIES AND NET ASSETS			$ 251,636.05

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

THE INDUSTRIAL DEVELOPMENT BOARD OF
HUMPHREYS COUNTY, TENNESSEE
GOVERNMENTAL ACTIVITIES - GENERAL FUND (ONLY FUND)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Statement of Revenues, Expenditures & Change in Fund Balance	Adjustments (Note 2)	Statement of Activities
REVENUES			
Investment Earnings - interest	$ 2,415.85	$ (200.01)	$ 2,215.84
Total Revenues	2,415.85	(200.01)	2,215.84
EXPENDITURES			
Administration			
Legal & Professional Fees	750.00	-	750.00
Licenses & Permits	40.00	-	40.00
Total Expenditures	790.00	-	790.00
Excess of Revenues Over Expenditures	1,625.85	(200.01)	1,425.84
OTHER FINANCIAL SOURCES			
Proceeds/gain on Sale of Option	-	1,000.37	1,000.37
Total Other Financial Sources	-	1,000.37	1,000.37
Net Change in Fund Balance/Net Assets	1,625.85	800.36	2,426.21
Fund Balance/Net Assets - Beginning	148,645.91	93,227.69	241,873.60
Fund Balance/Net Assets - Ending	$ 150,271.76	$ 94,028.05	$ 244,299.81

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Industrial Development Board of Humphreys County, Tennessee are described below to enhance the usefulness of the financial statements.

Organization

The Industrial Development Board of Humphreys County, Tennessee (hereinafter referred to as the Humphreys County Industrial Board or Board) was formed as an operating agency and instrumentality of the Humphreys County Government for the purpose of acquiring and developing land for industrial development in Humphreys County, Tennessee.

Financial Reporting Entity

In evaluating how to define the Humphreys County Industrial Board, for financial reporting purposes, management has considered the criteria set forth in the *Governmental Accounting Standards Board* (GASB), Statement No. 14, *The Financial Reporting Entity.* The elements of the financial reporting entity are the primary government and, under certain circumstances, a component unit. In general, a primary government has a separately elected governing body, is legally separate and is fiscally independent. The basic criterion for including a potential component unit within the reporting entity is whether the primary government is financially accountable for the component unit.

The primary government is financially accountable if it appoints a voting majority of a component unit's governing body and either: 1) has the ability to impose its will on the component unit or 2) there is the potential for the component unit to provide financial benefits or impose financial burdens on the primary government.

Based on these criteria, there are no component units of the Humphreys County Industrial Board. Additionally, the Humphreys County Industrial Board is a related organization of Humphreys County, but is not a component unit of Humphreys County. Humphreys County appoints a majority of the governing body, but the county's accountability for the organization does not extend beyond making the appointments.

Measurement Focus/Basis of Accounting

The accounting and reporting policies of the Board conform to generally accepted accounting principles applicable to government as defined in the *Statements of Governmental Accounting Standards Board* (GASB). The financial statements are prepared on the basis of GASB Statement Number 34, *Basic Financial Statements, Management's Discussion and Analysis for State and Local Governments* and related standards. This standard mandates government-wide (component unit-wide) financial statements of net assets and activities, which are presented on the "economic resource" measurement focus and accrual basis of accounting. It also requires, if applicable, that certain fixed assets be recorded at cost less accumulated depreciation.

The Board is also required to present fund financial statements for all of the funds relevant to the operations of the Board. The measurement focus and basis of accounting used for the fund financial statements is determined by the fund type.

The accounts of the Board are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which are comprised of its assets, liabilities, fund balance, revenues and expenditures. The fund types used by the Board are described as follows:

- General Fund – The General Fund is classified as a Governmental Fund Type and uses the current financial resources measurement focus and the modified accrual basis of accounting whereby revenues are recognized when measurable and available and expenditures are recognized when liabilities are incurred. If applicable, general capital asset acquisitions are reported as expenditures and proceeds of debt instruments are reported as other financing sources.

  The General Fund is the only fund currently utilized by the Board.

Capitalized Interest

The Board capitalizes interest expense incurred during periods of construction. There was no construction and, consequently, no interest expense was capitalized during the year ended June 30, 2011.

Income Taxes

Because the Board is considered a government unit, it is not subject to income taxes and no amount for taxes has been recorded in the accompanying statements.

Land

Humphreys County on occasion purchases land from the public either for the use of the government or to further enhance development and economic growth for the benefit of the citizens of the County. Normally, if the land is going to be utilized for development and economic growth, the property is subsequently deeded (a nonmonetary transaction) to the Industrial Development Board, who then negotiates the terms for the use of the property with applicable private-sector companies. The land values recorded in the Statement of Net Assets of the Industrial Development Board are stated at market value at the time of transfer.

NOTE 2 – RECONCILIATION ADJUSTMENTS FOR FINANCIAL STATEMENTS

As disclosed in Note 1, the Board is required to report entity-wide financial statements (the Statement of Net Assets and the Statement of Activities) on the economic resources measurement focus and the full accrual basis of accounting, while also presenting financial statements (the Balance Sheet and the Statement of Revenues, Expenditures and Change in Fund Balance) for its only fund (the General Fund) on the current financial resources measurement focus and the modified accrual basis of accounting. Therefore, adjustments, if applicable, for items such as capital assets, depreciation, certain receivables and payables, etc., are required to convert the financial statements from the one requirement presentation and method of accounting to another.

NOTE 3 – DEPOSITS AND CUSTODIAL CREDIT RISK

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Board's deposits may not be returned or the Board will not be able to recover collateral securities in the possession of an outside party. State statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. Further, state statutes require that the collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the Board. Deposits of the Board at June 30, 2011 are entirely insured by FDIC insurance coverage.

NOTE 4 – RISK MANAGEMENT

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

NOTE 5 – NOTE PAYABLES/DEFERRED REVENUE

There were no note payables existing at June 30, 2011. A liability in the amount of $7,336.24 for deferred revenue existed as a result of an unexpired option contract. On October 24, 2008 the Board received a payment of $10,004 from Matheson Tri-Gas, Inc. in return for the grant of a 10-year option for the first right of refusal to purchase a tract of land. In accordance with the accrual basis of accounting, the financial statements have been adjusted to reflect the unearned revenue in the amount of $7,336.24 for the 88 months of the option remaining at June 30, 2011.

NOTE 6 – PROPERTY AND EQUIPMENT

There were no changes in property and equipment for the period ended June 30, 2011.

Summary of Accumulated Depreciation

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

NOTE 7 – SUBSEQUENT EVENTS

There were no subsequent events that require disclosure.

SUPPLEMENTARY INFORMATION

THE INDUSTRIAL DEVELOPMENT BOARD OF
HUMPHREYS COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

	Budget Original/ Final	Actual	Variance Favorable (Unfavorable)
REVENUES			
Investment Earnings - interest	$2,425.00	$2,415.85	($9.15)
Total Revenues	2,425.00	2,415.85	(9.15)
EXPENDITURES			
Administration			
Legal & Professional Fees	1,250.00	750.00	500.00
Licenses & Permits	40.00	40.00	0.00
Total Expenditures	1,290.00	790.00	500.00
Excess of Revenues Over (Under) Expenditures	1,135.00	1,625.85	490.85
OTHER FINANCIAL SOURCES			
Proceeds/gain on Sale of Option	-	-	-
Net Change in Fund Balance	$1,135.00	1,625.85	$490.85
Fund Balance - Beginning		148,645.91	
Fund Balance - Ending		$150,271.76	

INTERNAL CONTROL AND COMPLIANCE SECTION

DURHAM, NUNNERY, BROOKS & POYNER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1040 WEST MAIN STREET – P.O.BOX 444
WAVERLY, TENNESSEE 37185
PHONE 931-296-3107 – FAX 931-296-1658

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Industrial Development Board of
Humphreys County
Waverly, Tennessee

We have audited the financial statements of the governmental activities and each governmental major fund of the Industrial Development Board of the County of Humphreys (Board) (a related entity of Humphreys County, Tennessee) as of and for the year ended June 30, 2011, which collectively comprise the Board's basic financial statements and have issued our report thereon dated September 1, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

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, identified as finding 2011-, that we consider to be a significant deficiency in internal control over financial reporting. 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 Board'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 Standard.*

This report is intended solely for the information and use of the Board of Directors, Humphreys County, Tennessee, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

Durham, Nunnery, Brooks & Poyner, P.C.

Durham, Nunnery, Brooks & Poyner, P.C.
Certified Public Accountants
September 1, 2011

THE INDUSTRIAL DEVELOPMENT BOARD
OF HUMPHREYS COUNTY
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2011

A. PRIOR YEAR FINDINGS

Government Auditing Standards require auditors to report on the status of uncorrected findings from prior audits. Presented below are the summarized data related to the prior year's (June 30, 2010) audit findings.

Finding 2010-1: Internal control weakness relating to segregation of duties.

Current Status: Uncorrected – Finding will be repeated for current year.

B. CURRENT YEAR FINDINGS

The current year findings and recommendations as a result of the audit of the Industrial Development Board of Humphreys County are presented below. These findings and recommendations have been reviewed with management.

Finding 2011-1: Lack of Segregation of Duties
(Internal Control – Significant Deficiency under *Government Auditing Standards)*

Duties were not segregated adequately among the officials of the Board. Officials responsible for maintaining the accounting records were also involved in receipting, depositing, disbursing, and/or reconciling bank statements. We realize that due to limited resources and availability of personnel, management may not be able to properly segregate duties among officials. However, our professional standards require that we bring this matter to the reader's attention.

Recommendation:

Officials should segregate duties to the extent possible using available resources.