

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE**

FINANCIAL STATEMENTS

JUNE 30, 2012

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE**

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JUNE 30, 2012

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**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE**

INTRODUCTORY SECTION

JUNE 30, 2012

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE
ORGANIZATION
JUNE 30, 2012**

BOARD OF DIRECTORS

NAME	POSITION
V.J. Dodson	Chairperson
John Davis	Vice-Chairperson
Bowden R. Ladd	Secretary
Dana Carter	Director
Randy Graham	Director
Tim Johnson	Director
Darryl Meadows	Director
Louis Newberry	Director
Danice Turpin	Director

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE**

FINANCIAL SECTION

JUNE 30, 2012

CERTIFIED PUBLIC ACCOUNTANTS

Joe Savage
Marie I. Niekerk
Josh Stone
Earl O. Wright - 1988 - 2002

Stephen J. Parsons
Catherine R. Hulme
William R. Scandlyn - 1988 - 1999

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Industrial Development Board of the Counties
of Cumberland, Morgan and Roane, Tennessee

We have audited the accompanying financial statements of the governmental activities and the major fund of The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee as of and for the year ended June 30, 2012, which collectively comprise The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee's basic financial statements as listed in the table of contents. These financial statements are the responsibility of The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 audits 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 audits provide 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 the major fund as of June 30, 2012, and the respective changes in financial position for the year ended June 30, 2012 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 December 3, 2012, on our consideration of The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants 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, 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 audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 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.

A handwritten signature in cursive script that reads "Parsons & Wright". The signature is written in black ink and is positioned above a horizontal line.

Parsons & Wright
Certified Public Accountants
Kingston, Tennessee

December 3, 2012

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

The following is a narrative overview and analysis of The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee's financial performance for the year ended June 30, 2012. This section is only an introduction and should be read in conjunction with the Board's financial statements, which immediately follow this section.

The following management discussion and analysis (MD&A) provides a comprehensive overview of the financial position of The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee as of June 30, 2012, and its results of operations for the year then ended. Management has prepared the MD&A.

Financial Highlights

Following are the financial highlights of the Board for the year ended June 30, 2012:

- The Board's net assets decreased \$68,173 over the course of this year's operations. The change in net assets is a 168% decrease from the fiscal year ended June 30, 2011.
- During the year, the Board's expenses exceeded revenues by \$68,173 primarily due to monies paid for management, legal, and professional fees.
- The Board's operating expenses increased approximately 39% from the fiscal year ended June 30, 2012 over the fiscal year ended June 30, 2011.
- The Board's cash balance decreased \$52,863 from June 30, 2011 to June 30, 2012. The decrease is due to the payment of operating expenses during the year.

Overview of the Financial Statements

This annual report consists of two parts – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Board's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the Board's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide Statements

The government-wide statements report information about The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the Board's net assets and how they have changed. Net assets – the difference between the Board's assets and liabilities – is one way to measure The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee's financial health, or position.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

- Over time, increases or decreases in the Board's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Board you need to consider additional non-financial factors.

Fund Financial Statements

The fund financial statements provide more detailed information about the Board's most significant funds not the Board as a whole. Funds are accounting devices that the Board uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and bond covenants.
- Other funds are established to control and manage money for particular purposes or to show that the government is properly using funds.

The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee has only one kind of fund:

- Governmental funds – Most basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. Since the government-wide focus includes that long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Financial Analysis of the Organization as a Whole

Net Assets – The Board's net assets decreased \$68,173 from June 30, 2011 to June 30, 2012.

The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee
Net Assets
June 30, 2012 and 2011

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>% Change</u>
Current Assets	\$ 2,105,601	\$ 2,158,464	-2%
Capital Assets	5,229,415	5,229,415	0%
Other Assets	115,984	126,294	-8%
Total Assets	<u>\$ 7,451,000</u>	<u>\$ 7,514,173</u>	-1%
Accounts Payable	\$ 5,000	\$ -	
Long Term Debt	7,554,846	7,554,846	0%
Total Liabilities	<u>\$ 7,559,846</u>	<u>\$ 7,554,846</u>	0%
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ -	\$ -	0%
Unrestricted Net Assets	(108,846)	(40,673)	168%
Total Net Assets	<u>\$ (108,846)</u>	<u>\$ (40,673)</u>	168%
Total Liabilities and Net Assets	<u>\$ 7,451,000</u>	<u>\$ 7,514,173</u>	-1%

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Changes in Net Assets – The Board's total revenue decreased \$21,195 from fiscal year 2011 to fiscal year 2012. The Board's only sources of revenue for the year ended June 30, 2012 was interest income. The increase in total expenses is mostly attributed to the payment of monthly management fees to the Crossville-Cumberland County Chamber of Commerce.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>% Change</u>
Total Revenues	\$ 3,474	\$ 24,669	-86%
Total Expenses	(71,647)	(51,635)	39%
	<u>\$ (68,173)</u>	<u>\$ (26,966)</u>	153%

Economic Factors That Will Affect the Future

The Board remains committed to promoting industry and developing trade for Cumberland, Morgan, and Roane Counties. Its ability to successfully accomplish this is at least in part based upon the economic outlook for Cumberland, Morgan, and Roane counties.

Contacting the Board's Financial Management

This financial report is designed to provide our citizens with a general view of the Board's finances and to demonstrate the Board's accountability for the monies it receives. If you have questions about this report or need additional information, contact The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee at 34 South Main Street, Crossville, Tennessee 38555.

GOVERNMENT-WIDE STATEMENTS

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Governmental Activities <u>June 30, 2012</u>
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalent	\$ <u>2,105,601</u>
Total Current Assets	\$ <u>2,105,601</u>
CAPITAL ASSETS	
Land - Nondepreciable	\$ 4,645,100
Land Improvements - Nondepreciable	<u>584,315</u>
Total Capital Assets	\$ <u>5,229,415</u>
OTHER ASSETS	
Bond Issuance Costs	\$ 164,956
Accumulated Amortization - Bond Issuance Costs	<u>(48,972)</u>
Net Other Assets	\$ <u>115,984</u>
TOTAL ASSETS	\$ <u><u>7,451,000</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ <u>5,000</u>
Total Current Liabilities	\$ <u>5,000</u>
LONG TERM LIABILITIES	
Long Term Debt	\$ <u>7,554,846</u>
Total Long Term Liabilities	\$ <u>7,554,846</u>
TOTAL LIABILITIES	\$ <u>7,559,846</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	\$ 0
Unrestricted	<u>(108,846)</u>
Total Net Assets	\$ <u>(108,846)</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>7,451,000</u></u>

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

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

YEAR ENDED JUNE 30, 2012

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
	<u>Expenses</u>	<u>Charges For Service</u>	<u>Grants and Contributions</u>	
Governmental Activities				
General Government	\$ 71,647	\$ -	\$ -	\$ (71,647)
	<u>\$ 71,647</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (71,647)</u>
General Revenues:				
			Interest and Dividend Income	\$ 3,474
			Total General Revenues and Transfer	\$ 3,474
			Change in Net Assets	\$ (68,173)
			Net Assets - Beginning of Year	(40,673)
			Net Assets - End of Year	<u>\$ (108,846)</u>

FUND STATEMENTS

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE
BALANCE SHEET
JUNE 30, 2012**

	<u>General</u>
	<u>June 30,</u>
	<u>2012</u>
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalent	\$ <u>2,105,601</u>
TOTAL ASSETS	\$ <u><u>2,105,601</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ <u>5,000</u>
TOTAL LIABILITIES	\$ <u>5,000</u>
FUND BALANCE	
Unreserved Unassigned	\$ <u>2,100,601</u>
TOTAL FUND BALANCE	\$ <u>2,100,601</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u><u>2,105,601</u></u>
Total Fund Balance Per Fund Financial Statements	\$ 2,100,601
 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 as assets in the governmental funds balance sheet. The cost of capital assets is \$5,229,415 as of June 30, 2012.	5,229,415
Bond issuance costs are not reported as assets in the governmental funds balance sheet. In the statement of net assets, the bond issuance costs are reflected net of accumulated amortization. The bond issuance costs are \$164,956 and accumulated amortization is \$48,972 as of June 30, 2012.	115,984
Long term debt is not financial obligations of the current period and therefore are not reported as liabilities in the governmental funds balance sheet. In the statement of net assets, the liability for long term debt is reflected. Long term debt totals \$7,554,846 as of June 30, 2012.	<u>(7,554,846)</u>
Total Net Assets - Governmental Activities	\$ <u><u>(108,846)</u></u>

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

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>June 30, 2012</u>
REVENUE	
Interest and Dividend Revenue	\$ <u>3,474</u>
TOTAL REVENUES	\$ <u>3,474</u>
 EXPENDITURES	
Legal and Professional Fees	\$ 53,226
Online Software	5,155
Liability Insurance	1,345
Other Expense	<u>1,611</u>
TOTAL EXPENDITURES	\$ <u>61,337</u>
EXCESS OF EXPENDITURES OVER REVENUES	\$ (57,863)
FUND BALANCE, BEGINNING OF YEAR	<u>2,158,464</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 2,100,601</u></u>

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2012**

Changes in Fund Balances - Governmental Funds	\$	(57,863)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report bond issuance costs as expenditures. However, in the statement of activities these costs are capitalized and reported over their useful lives as amortization expense.

Current Year Amortization Expense on Bond Issuance Costs		<u>(10,310)</u>
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Change in Net Assets	\$	<u><u>(68,173)</u></u>
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**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A – SUMMARY OF ACCOUNTING POLICIES

1. The Reporting Entity

The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee (the Board), is a special purpose entity serving Cumberland, Morgan, and Roane Counties. The members of the Board are appointed by the governing bodies of the respective counties. The purpose of the Board is to promote industry and develop trade for Cumberland, Morgan, and Roane Counties.

The financial statements of the Board have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below:

2. Government-Wide and Fund Financial Statements

In the government-wide Statement of Net Assets, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The government-wide Statement of Activities reports both the gross and the net cost of the Board's programs. The functions are also supported by general governmental revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function.

The Board adopted the provisions of Governmental Accounting Standards Board Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." Statement 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent debt proceeds at year-end, the portion of debt is included in the same net assets component as the unspent proceeds.

Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts subject to external enforceable legal restrictions that are either 1) externally imposed by creditors, grantors, contributors, or laws or regulation of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A – SUMMARY OF ACCOUNTING POLICIES – Continued

2. Government-Wide and Fund Financial Statements - Continued

Committed – Amounts that can be used only for specific purposes determined by a formal action by ordinance or resolution.

Assigned – Amounts that are designated by the Board for a particular purpose but are not spendable until there is a majority vote approval by the Board.

Unassigned – All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net assets), the Board's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Board's policy is to first apply the expenditure toward restricted fund balance and then to other less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

Fund Financial Statements

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 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. The financial transactions of the Board are reported in the individual funds in the fund financial statement. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures. The Board reports the following major governmental fund:

General Fund – The General Fund is the general operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund.

3. Deposits

The Board had the following investments, valued at cost (which approximates fair value), at June 30, 2012:

Federated Prime Cash Obligations	\$ <u>2,105,601</u>
Total Cash and Cash Equivalents	\$ <u><u>2,105,601</u></u>

The Board is authorized to deposit and invest funds in accordance with Section 5-8-301 of the Tennessee Code Annotated [Acts 1992, ch. 891, section 10].

Custodial Credit Risk

The Board's cash and cash equivalents, consistent with State statutes, are covered by federal depository insurance (FDIC) or are collateralized by a multiple financial institution collateral pool administered by the Treasurer of the State of Tennessee. On limited occasions the Board may have deposits with financial institutions that do not participate in the State collateral pool; in these instances separate collateral equal to at least 105% of the uninsured deposit is collateralized and held in the Board's name by a third party. These provisions covered all Board deposits at year-end.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A – SUMMARY OF ACCOUNTING POLICIES - Continued

3. Deposits - Continued

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Both State statutes and the Board's investment policy limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At year end, all of the Board's deposits were held in cash and cash equivalents.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Both State statutes and the Board's investment policy limit permissible investments and impose collateral and custody provisions to significantly limit credit risk.

4. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Property and Equipment

Property and equipment is recorded at cost and depreciated over the estimated useful lives of the individual assets ranging from 5 to 40 years. Depreciation is computed using the straight-line method for financial reporting purposes. The cost of maintenance and repairs are expensed as incurred.

6. Intangible Assets

Bond issuance costs are amortized on a straight-line basis over the terms of the related debt.

7. Advertising

Advertising costs are expensed as incurred.

8. Income Tax Status

No provision or liability for income taxes has been recorded because the Board is exempt from federal and state income tax.

9. Budget

The Board's by-laws do not require an annual budget. No budget was prepared for the year ending June 30, 2012 and, therefore, no budgetary comparisons are presented.

NOTE B – CASH AND CASH EQUIVALENTS

The Board is authorized to deposit its funds in banks, trust companies, or other depositories. At June 30, 2012, the Board's cash and cash equivalent is made up of an investment in Federated Prime Cash Obligations, a money market mutual fund. Although minimal, the Board's investment does carry the risks associated with investment in a mutual fund.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE C – LAND AND LAND IMPROVEMENTS

In January 2008, the Board purchased 2 tracts of land and subsequent land improvements for the development of an industrial park known as Plateau Partnership Park. The Board plans to negotiate the terms for the use of the property with applicable private-sector companies. The land values are recorded at cost in the statement of net assets.

Capital asset activity for the year ended June 30, 2012 is as follows:

	<u>6/30/2011</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2012</u> <u>Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 4,645,100	\$ 0	\$ 0	\$ 4,645,100
Land Improvements	584,315	0	0	584,315
Total Capital Assets Not Beign Depreciated	<u>\$ 5,229,415</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,229,415</u>

Reconciliation of invested in capital assets net of related debt:

Capital Assets	\$ 5,229,415
Related Capital Debt	<u>(5,229,415)</u>
Invested in Capital Assets Net of Related Debt	<u>\$ -</u>

The Board has unspent debt proceeds totaling \$2,105,601 at June 30, 2012 that were included in unrestricted net assets.

NOTE D – INTANGIBLE ASSETS

Amortization expense amounted to \$10,310 for the year ended June 30, 2012.

NOTE E – LONG TERM DEBT

The Counties of Cumberland, Morgan, and Roane, Tennessee issued debt through the Blount County Public Building Authority in the amount of \$5, 250,000 and subsequently loaned the entire proceeds to the Board. The monies were used for the acquisition and development of major capital facilities. A formal loan agreement requires the Board to repay the proceeds interest free upon the sale of tracts of land.

On June 15, 2010, the Counties of Cumberland, Morgan, and Roane, Tennessee issued additional debt through the Blount County Public Building Authority in the amount of \$2,304,846 and subsequently loaned the proceeds to the Board. The monies will be used for ongoing operations. A formal loan agreement requires the Board to repay the proceeds interest free upon the sale of tracts of land.

There have been no land sales by the Board and, therefore, no payments have been made on the principal of the debt. Additionally, there has been no interest paid on the interest free debt.

<u>7/1/2011</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2012</u> <u>Balance</u>
\$ 7,554,846	\$ 0	\$ 0	\$ 7,554,846

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE E – LONG TERM DEBT - Continued

Repayment is based on the sale of tracts of land in the Plateau Partnership Park. Therefore, the repayment schedule for the next five years is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ -	\$ -
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017	-	-	-
TOTAL	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE F – GRANT

In May 2012, the Board was awarded an Economic Development Act (EDA) grant by the United States Department of Commerce in the amount of \$56,450. The grant requires matching funds of \$56,450 be paid by the Board. As of the date of this report, the grant had not been funded.

NOTE G – MANAGEMENT FEES

Beginning in September 2011, the Board obtained the services of the Crossville-Cumberland County Chamber of Commerce (the Chamber). The services provided include management, administrative, and consulting duties. However, all decisions are made by the Board. The Board pays \$40,000 per year for these services. The Board paid \$26,667 during the year ending June 30, 2012 and owed the Chamber \$5,000 as of that date.

NOTE H – INSURANCE

The Board has purchased commercial liability insurance for the risks to which it is exposed. The Board has not had any claims since inception. The coverage is as follows:

Each Occurance	\$ 1,000,000
Aggregate	\$ 2,000,000

NOTE I – COMMITMENTS AND CONTINGENCIES

The Board receives its funding from the Counties of Cumberland, Morgan, and Roane, Tennessee. A significant reduction in the level of such support, if this were to occur, would have an effect on the Board's programs and activities.

The Board is not aware of any deficiencies or noncompliance issues that, upon ultimate resolution, would have a material adverse impact on the financial statements of the Board.

NOTE J – SUBSEQUENT EVENTS

The Board has evaluated subsequent events through December 3, 2012, which is the date the financial statements were issued. No events were noted that required disclosure in these financial statements.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE**

**INTERNAL CONTROL AND
COMPLIANCE AND OTHER MATTERS
SECTION**

JUNE 30, 2012

CERTIFIED PUBLIC ACCOUNTANTS

Joe Savage
Marie I. Niekerk
Josh Stone
Earl O. Wright - 1988 - 2002

Stephen J. Parsons
Catherine R. Hulme
William R. Scandlyn - 1988 - 1999

**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 Board of Directors
The Industrial Development Board of the Counties
of Cumberland, Morgan and Roane, Tennessee

We have audited the financial statements of the governmental activities and major fund of The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee as of June 30, 2012 and for the year ended June 30, 2012, and have issued our report thereon dated December 3, 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

In planning and performing our audit, we considered The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Industrial Development Board of the Counties of Cumberland, Morgan and 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as Finding 2010-2.

The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, the Board of Directors, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Parsons & Wright
Certified Public Accountants
Kingston, Tennessee

December 3, 2012

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2012**

Current Year Audit Findings

None

Prior Year Audit Findings - Unresolved

Finding 2010-2 Preparation of Financial Statements

The preparation of financial statements in accordance with the accounting principles generally accepted in the United States of America is a significant function of the Board's internal control system. For the year ended June 30, 2010 the Board did not employ a qualified accountant to prepare the financial statements and, accordingly, such financial statements have been prepared by the auditor. The Board's auditor cannot be a part of the internal control over financial reporting, and financial statements preparation by the auditor does not compensate this matter.

Recommendation:

The Board should consider outsourcing the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Management's Response:

The Board agrees that outside preparation of the financial statements will result with the Board being in compliance with *Governmental Accounting Standards*.

Current Status:

The Board has contracted with The Crossville-Cumberland County Chamber of Commerce for "professional services". Parsons and Wright CPAs will work with Chamber personnel to enable them to provide the necessary information to complete the financial statements in accordance with accounting principles generally accepted in the United States of America.