

**THE INDUSTRIAL DEVELOPMENT BOARD
OF FENTRESS COUNTY
JUNE 30, 2012**

**TAMARA L. BECKMAN
CERTIFIED PUBLIC ACCOUNTANT**

THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY

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JUNE 30, 2012

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**THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY
ROSTER OF MANAGEMENT OFFICIALS AND
THOSE CHARGED WITH GOVERNANCE
JUNE 30, 2012**

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PO Box 798
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Industrial Development Board of Fentress County
Jamestown, Tennessee

I have audited the accompanying government-wide financial statements and the major governmental fund financial statements of The Industrial Development Board of Fentress County, a component unit of Fentress County, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of The Industrial Development Board of Fentress County's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government-wide and the major governmental fund of The Industrial Development Board of Fentress County, as of June 30, 2012, 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.

The management's discussion and analysis 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. However, management has chosen to exclude this information. My opinion on the basic financial statements is not affected by this missing information.

My audit was conducted for the purpose of forming opinions on the government-wide and major fund financial statements. The Schedule of Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule has not been subjected to the

auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued my report dated February 19, 2013 on my consideration of The Industrial Development Board of Fentress County's internal control over financial reporting and on my 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 my 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 my audit.

February 19, 2013
Cookeville, Tennessee

Tamara L. Beckman, CPA

THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2012

Assets

Current Assets

Cash	\$ 86,268.15	
Prepaid Expenses	<u>213.70</u>	
Total Current Assets		\$ 86,481.85

Fixed Assets

Construction in Progress	178,621.05	
Land	850,236.19	
Water Lines	523,911.07	
Building & Improvements	1,435,137.48	
Office Equipment	5,549.15	
Less: Accumulated Depreciation	<u>(355,405.60)</u>	
Total Fixed Assets		<u>2,638,049.34</u>

Total Assets		\$ 2,724,531.19
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Liabilities

Current Liabilities

Notes Payable - Current Portion	<u>7,114.22</u>	
Total Current Liabilities		7,114.22

Long-Term Debt

<u>-</u>

Total Liabilities		<u>7,114.22</u>
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Net Assets

Invested in Capital Assets, Net of Related Debt	2,630,935.12	
Unrestricted	<u>86,481.85</u>	

Total Net Assets		<u>\$ 2,717,416.97</u>
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

<u>Expenses</u>		
Staffing Services	\$ 30,000.00	
Audit	1,750.00	
Advertising	5,830.00	
Legal & Accounting	162.00	
Dues & Fees	3,600.00	
Supplies	-	
Insurance	8,158.97	
Conferences & Travel	2,898.54	
Depreciation Expense	<u>48,976.21</u>	
Total Expenses		\$ 101,375.72
 <u>Program Revenues</u>		
Rental Income	93,000.00	
Operating Grants & Contributions		
City of Allardt	750.00	
City of Jamestown	2,500.00	
Capital Grants & Contributions		
Fentress County	<u>41,240.00</u>	
Total Program Revenues		<u>137,490.00</u>
Net (Expense) Revenue		36,114.28
 <u>General Revenue</u>		
Interest Income	<u>66.54</u>	
Total General Revenue		<u>66.54</u>
Change In Net Assets		36,180.82
Net Assets, July 1, 2011		<u>2,681,236.15</u>
Net Assets, June 30, 2012		<u>\$ 2,717,416.97</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENT

THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY
BALANCE SHEET
JUNE 30, 2012

Assets

Current Assets

Cash in Bank \$ 86,268.15

Prepaid Expenses 213.70

Total Current Assets \$ 86,481.85

Total Assets \$ 86,481.85

Liabilities & Fund Balance

Fund Balance \$ 86,481.85

Total Liabilities & Fund Balance \$ 86,481.85

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENT

**THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012**

Fund Balance-Balance Sheet		\$ 86,481.85
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Amount 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 governmental funds.

Governmental Capital Assets & CIP	\$ 2,993,454.94	
Less: Accumulated Depreciation	<u>(355,405.60)</u>	
		2,638,049.34

Long-term liabilities not reported in the fund financial statements		<u>(7,114.22)</u>
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Net Assets of Governmental Activities		<u>\$ 2,717,416.97</u>
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**THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Revenues</u>		
Rental Income	\$ 93,000.00	
Fentress County	41,240.00	
City of Allardt	750.00	
City of Jamestown	2,500.00	
Interest Income	66.54	
<u>Total Revenues</u>		\$ 137,556.54
<u>Expenditures</u>		
<u>Operating Expenses</u>		
Staffing Services	30,000.00	
Audit	1,750.00	
Supplies	-	
Advertising	5,830.00	
Professional Services	162.00	
Dues & Fees	3,600.00	
Insurance	8,158.97	
Conferences & Travel	<u>2,898.54</u>	
<u>Total Operating Expenditures</u>		52,399.51
Capital Outlay		18,301.31
Debt Services		
Principal		<u>78,382.68</u>
<u>Total Expenditures</u>		<u>149,083.50</u>
Net Change in Fund Balance		(11,526.96)
Fund Balance, July 1, 2011		<u>98,008.81</u>
Fund Balance, June 30, 2012		<u>\$ 86,481.85</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENT

**THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Net Change in Fund Balance \$ (11,526.96)

Amount reported for governmental activities in the Statement of Net Assets are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for Capital Assets and CIP	\$	18,301.31	
Less: Depreciation Expense		(48,976.21)	
			(30,674.90)

Governmental funds report payment of principle on Notes Payable as expenditures and proceeds of new loans as revenue. However, payments of principal and new loans generated are not presented in the Statement of Activities.

Expenditures of principle payments		78,382.68
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Change in Net Assets of Governmental Activities		\$ 36,180.82
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THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 – Organization

The Industrial Development Board of Fentress County was incorporated December 27, 1978. The purpose of The Industrial Development Board of Fentress County is to do business as an industrial development corporation as prescribed by Chapter 210 of the Public Act of 1955, as codified in 6-2801, et seq. Tennessee Code Annotated, and as amended by Chapter 222, Public Act of 1959. It is a component unit of Fentress County, Tennessee. The directors are elected by the governing body of Fentress County. It must file a budget with Fentress County each year. Upon dissolution, the title to all funds and properties owned by The Industrial Development Board of Fentress County at that time shall become the property of Fentress County.

Note 2 – Government – Wide Financial Statements

The Government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report the governmental activities of The Industrial Development Board of Fentress County. The governmental activities are reported on the economic resources measurement focus on the accrual basis of accounting.

Note 3- Fund Financial Statements

To ensure observance of limitations and restrictions placed on the use of resources available to The Industrial Development Board of Fentress County, the accounts of the Board are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group. The fund financial statements report using current financial resources measurement focus and the modified accrual basis of accounting. The measurement focus of governmental fund accounting is on expenditures rather than expenses. Most expenditures are measurable and are recorded when the related liability is incurred.

Note 4 - Capital Assets and Depreciation

The Industrial Development Board of Fentress County's property, plant and equipment with useful lives of more than one year are stated at historical cost. The capital assets purchased in the current year are reported in the fund financial statements as expenditures in the current year. Donated assets are stated at fair value on the date donated. The Industrial Development Board of Fentress County generally capitalizes assets that have a cost of over \$500 and have a useful life of more than one year.

The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. All capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Note 5 – Subsequent Events

The Board has evaluated subsequent events through February 21, 2013, the date in which the financial statements were available to be issued.

Note 6 – Cash and Cash Equivalents:

Cash and cash equivalents consist of demand deposits with original maturities of three months or less with local financial institutions. The organization’s cash at June 30, 2012 was maintained as follows: The operating fund and the development fund were maintained in separate checking accounts.

Note 7 – Compensated Absences

The Board has no employees; therefore compensated absences are not accrued in the financial statements.

Note 8 – Property, Plant and Equipment

The following is a schedule of property as of June 30, 2012:

<u>Assets Not Depreciated</u>	<u>6-30-11 Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>6-30-12 Balance</u>
Land	\$ 850,236.19	\$ --	\$ --	\$850,236.19
CIP	<u>160,319.74</u>	<u>18,301.31</u>	<u>--</u>	<u>178,621.05</u>
Subtotal	<u>1,010,555.93</u>	<u>18,301.31</u>	<u>--</u>	<u>1,028,857.24</u>
<u>Assets Depreciated</u>				
Water Lines	523,911.07	--	--	523,911.07
Bldg & Imp.	1,435,137.48	--	--	1,435,137.48
Office Equip.	<u>5,549.15</u>	<u>--</u>	<u>--</u>	<u>5,549.15</u>
Subtotal	<u>1,964,597.70</u>	<u>--</u>	<u>--</u>	<u>1,964,597.70</u>
Total Assets	<u>\$2,975,153.63</u>	<u>\$ 18,301.31</u>	<u>\$ --</u>	<u>\$2,993,454.94</u>

The following is a schedule of accumulated depreciation as of June 30, 2012:

<u>Assets</u>	<u>6-30-11 Accum Depr.</u>	<u>Current Deprec Exp.</u>	<u>Disposals</u>	<u>6-30-12 Accum Depr.</u>
Water Lines	\$ 19,646.67	\$ 13,097.78	\$ --	\$ 32,744.45
Bldg & Imp.	281,233.57	35,878.43	--	317,112.00
Office Equip.	<u>5,549.15</u>	<u>--</u>	<u>--</u>	<u>5,549.15</u>
Total	<u>\$306,429.39</u>	<u>\$ 48,976.21</u>	<u>--</u>	<u>\$355,405.60</u>

Note 9 – Cash in Bank

The Tennessee Government Code requires Tennessee banks and savings and loan associations to secure a governmental entity’s deposits by pledging government securities as collateral. The market value of pledged securities must equal 105% of the entity’s deposits. The entity may waive collateral requirements for deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) or Savings Association Insurance Fund (SAIF).

At June 30, 2012, the carrying amount of The Industrial Development Board of Fentress County’s cash deposits was \$86,268.15. All cash deposits are covered by the Federal Deposit Insurance Corporation up to the limit of \$250,000.00. The Board is authorized to deposit and invest funds according to the provisions of Section 5-8-301 of the Tennessee Code Annotated. [Acts 1992, ch. 891, section 10].

Note 10 – Budget

The director of The Industrial Development Board of Fentress County and staff compile the budget. It is then brought before the city and county for approval. Changes made by the city or county are not reflected in the budget. This is a non-appropriated budget used for guidance only and is not legally binding.

Note 11 - Risk

The Industrial Development Board of Fentress County maintains general liability and property insurance on Buildings. There have been no claims or settlement that exceeded coverage during the prior three years.

Note 12 - Chamber

The Fentress County Chamber of Commerce provides staffing services for The Industrial Development Board of Fentress County and is reimbursed on a quarterly basis. The total amount of staffing expense for the year ended June 30, 2012 was \$30,000.00.

Note 13 – Loans

At June 30, 2012 there was a loan outstanding to Volunteer Electric Cooperative in the amount of \$ 74,624.90. This is a non interest-bearing loan with monthly payments of \$2,763.89 beginning October 15, 2004. Additional payments were made to this loan during the year. The following is a schedule of long-term debt payments for Volunteer Electric Coop.

<u>Due Date</u>	<u>Principal</u>	<u>Balance</u>
6-30-12		7,114.22
6-30-13	7,114.22	--

The Board also had a loan outstanding to First Volunteer Bank in the amount of \$-0-. The monthly payment is \$3,812.89 and the interest rate is 4.00%. The loan is due on November 30, 2019. However, this loan was paid off in September, 2012. Yearly payments of long-term debt are as follows:

<u>Year</u>	<u>Payment</u>	<u>Principal</u>	<u>Interest</u>	<u>Balance</u>
06/30/12	10,872.00	10,872.00	--	--

A schedule of changes in long-term debt is as follows:

<u>Description</u>	<u>6-30-11 Balance</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>6-30-12 Balance</u>
VEC Loan	\$ 74,624.90	\$ --	\$ 67,510.68	\$ 7,114.22
FVB Loan	<u>10,872.00</u>	<u>--</u>	<u>10,872.00</u>	<u>--</u>
Total	<u>\$ 85,496.90</u>	<u>\$ --</u>	<u>\$ 78,382.68</u>	<u>\$ 7,114.22</u>

**THE INDUSTRIAL DEVELOPMENT BOARD
OF FENTRESS COUNTY**

SUPPLEMENTARY INFORMATION

JUNE 30, 2012

THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
(unaudited)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Revenues</u>			
Rental Income	\$ 93,000.00	\$ 93,000.00	\$ -
Fentress County	41,240.00	41,240.00	-
City of Jamestown	2,500.00	2,500.00	-
City of Allardt	750.00	750.00	-
Interest Income	-	66.54	66.54
Total Revenue	<u>137,490.00</u>	<u>137,556.54</u>	<u>66.54</u>
<u>Expenditures</u>			
Operating			
Staffing Services	30,000.00	30,000.00	-
Supplies	1,000.00	-	1,000.00
Audit	2,000.00	1,750.00	250.00
Advertising	8,400.00	5,830.00	2,570.00
Insurance	8,200.00	8,158.97	41.03
Dues & Permit Fees	3,600.00	3,600.00	-
Professional Services	3,500.00	162.00	3,338.00
Conferences & Travel	11,000.00	2,898.54	8,101.46
Total Operating Expenditures	<u>67,700.00</u>	<u>52,399.51</u>	<u>15,300.49</u>
Capital Outlay	106,588.00	18,301.31	88,286.69
Debt Services			
Principal	40,000.00	78,382.68	(38,382.68)
Interest	<u>365.00</u>	<u>-</u>	<u>365.00</u>
Total Debt Services	<u>40,365.00</u>	<u>78,382.68</u>	<u>(38,017.68)</u>
Total Expenditures	<u>214,653.00</u>	<u>149,083.50</u>	<u>65,569.50</u>
Net Change in Fund Balance	(77,163.00)	(11,526.96)	65,636.04
Fund Balance, July 1, 2011	<u>98,008.81</u>	<u>98,008.81</u>	<u>-</u>
Fund Balance, June 30, 2012	<u>\$ 20,845.81</u>	<u>\$ 86,481.85</u>	<u>\$ 65,636.04</u>

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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 Board of Directors of
The Industrial Development Board of Fentress County
Jamestown, Tennessee

I have audited the accompanying government-wide financial statements and the major governmental fund financial statements of The Industrial Development Board of Fentress County, a component unit of Fentress County, as of and for the year ended June 30, 2012, and have issued my report thereon dated February 19, 2013. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered The Fentress County Industrial Development Board's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of The Fentress County Industrial Development Board's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of The Fentress County Industrial Development 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.

My 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, as defined above. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Fentress County Industrial Development Board's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the management and federal awarding agencies and pass-through entities and the State of Tennessee Comptroller of the Treasury and is not intended to be and should not be used by anyone other than these specified parties.

February 19, 2013
Cookeville, Tennessee

Tamara L. Beckman, CPA