

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE

Financial Statements and
Supplementary Information

Year Ended June 30, 2012



THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Financial Statements and Supplementary Information
Year Ended June 30, 2012

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THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Officers and Board Members
Year Ended June 30, 2012

OFFICERS

Leslie Henderson

President and CEO (The Roane Alliance, Inc.)

BOARD MEMBERS

David Webb
Tommy Thompson
Jerry Stephens

Chairman
Vice Chairman
Secretary/Treasurer

OTHER BOARD MEMBERS

Bob Kite
Teddy Haywood
Jim Palmer

Jane Long
James Owens
Bob Kyker



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 (the "Board"), (a component unit of the Roane County Government) for the fiscal year ended June 30, 2012, 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 supplementary 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 programs and activities of the governmental functions of the 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 causality.

Cash Management

As of the year ended June 30, 2012, the Board had approximately \$599,000 in bank accounts and certificates of deposit.

Respectively submitted,



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

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 Industrial Development Board of the County of Roane, Tennessee (the "Board"), (a component unit of the Roane County Government), as of and for the year ended June 30, 2012. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Board as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2012, on our consideration of the Board'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 9 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the accompanying financial statements of the Board. 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.

Roddefm Moss + Co, PLLC

Knoxville, Tennessee
December 17, 2012



THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Management's Discussion and Analysis
June 30, 2012

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, 2012.

Financial Highlights

- Net assets of the Board exceeded its liabilities at June 30, 2012 by \$6,401,333.
- The Board's net assets decreased by \$685,481 from July 1, 2011 to June 30, 2012.
- Capital assets decreased by \$294,021, net of depreciation. The decrease is due to the sale of land in 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, 2012. 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, 2012 decreased by \$410,089 compared to June 30, 2011. The decrease was due to the sale of property in the Roane Regional Business and Technology Park to the Volkswagen Group of America for their new Southeastern Distribution Center and the sale of the third spec building property to Proton Power also in the Roane Regional Business and Technology Park.

Capital assets as of June 30, 2012 decreased by \$294,021, net of depreciation, compared to June 30, 2011.

Other assets as of June 30, 2012 increased \$2,041, compared to June 30, 2011. The increase was due to interest earned on a certificate of deposit held by the Board.

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, 2012 and 2011 is noted in the following table:

	<u>2012</u>	<u>2011</u>
Capital assets not being depreciated		
Land and improvements	\$ 5,646,743	\$ 5,938,003
Legal & start up costs	<u>213,577</u>	<u>213,577</u>
Total capital assets not being depreciated	<u>5,860,320</u>	<u>6,151,580</u>
Capital assets being depreciated		
Buildings and improvements	115,259	115,258
Furniture and fixtures	7,000	7,000
Office equipment	249	249
Less: accumulated depreciation	<u>(19,269)</u>	<u>(16,507)</u>
Total capital assets being depreciated, net	<u>103,239</u>	<u>106,000</u>
Capital assets, net	<u>\$ 5,963,559</u>	<u>\$ 6,257,580</u>

Total liabilities decreased by \$16,588 as of June 30, 2012, compared to June 30, 2011. The decrease is primarily due to a reduction in expenditures in June 2012 that were paid on behalf of the Board by the Roane Alliance and which must be reimbursed to Roane Alliance by the Board in the following month.

A portion of the Board's net assets (93% and 88% at June 30, 2012 and 2011, respectively) 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, 2012 compared to June 30, 2011 is as follows:

	<u>Fiscal year ending 6/30/12</u>	<u>Fiscal year ending 6/30/11</u>	<u>Increase/ Decrease</u>
Assets			
Capital assets	\$ 5,963,559	\$ 6,257,580	\$ (294,021)
Current assets	437,214	847,303	(410,089)
Other assets	<u>182,928</u>	<u>180,887</u>	<u>2,041</u>
Total assets	<u>\$ 6,583,701</u>	<u>\$ 7,285,770</u>	<u>\$ (702,069)</u>
Liabilities			
Current liabilities	\$ 44,193	\$ 65,781	\$ (21,588)
Long-term liabilities	<u>138,175</u>	<u>133,175</u>	<u>5,000</u>
Total liabilities	<u>182,368</u>	<u>198,956</u>	<u>(16,588)</u>
Net assets			
Invested in capital assets, net of related debt	5,963,559	6,257,580	(294,021)
Unrestricted	<u>437,774</u>	<u>829,234</u>	<u>(391,460)</u>
Total net assets	<u>6,401,333</u>	<u>7,086,814</u>	<u>(685,481)</u>
Total liabilities and net assets	<u>\$ 6,583,701</u>	<u>\$ 7,285,770</u>	<u>\$ (702,069)</u>

Revenues, Expenses and Changes in Net Assets

Revenues

Revenues in the fiscal year ending June 30, 2012 remained generally similar to revenues reported for the period ending June 30, 2011.

Expenses

Expenses in fiscal year 2012 increased by \$106,790, when compared to fiscal year 2011. The increase is due primarily to an increase in advertising, improvements and legal and professional fees expenditures in the current fiscal year.

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 2012, 2011 and 2010 is shown below:

	<u>Fiscal year ending 6/30/12</u>	<u>Fiscal year ending 6/30/11</u>	<u>Fiscal year ending 6/30/10</u>
Program revenues, by major source			
PILOT program	\$ 29,587	\$ 10,800	\$ -
Grants	<u>-</u>	<u>-</u>	<u>10,000</u>
Total program revenues	<u>29,587</u>	<u>10,800</u>	<u>10,000</u>
General revenues, by major source			
Intergovernmental receipts	478,416	446,382	450,290
Miscellaneous revenue	<u>16,934</u>	<u>61,880</u>	<u>27,826</u>
Total general revenues	<u>495,350</u>	<u>508,262</u>	<u>478,116</u>
Total revenues	<u>524,937</u>	<u>519,062</u>	<u>488,116</u>
Expenses			
Other expenses	<u>642,918</u>	<u>536,128</u>	<u>379,948</u>
Total expenses	<u>642,918</u>	<u>536,128</u>	<u>379,948</u>
Change in net assets before transfers	(117,981)	(17,066)	108,168
Transfers out	<u>(567,500)</u>	<u>(9,850)</u>	<u>(28,350)</u>
Change in net assets	<u>\$ (685,481)</u>	<u>\$ (26,916)</u>	<u>\$ 79,818</u>

Future Outlook

With the downturn in the economy, the activity level of industrial prospects has continued to be sporadic in 2012 with the second and third quarters of 2012 showing prospect inquiries increasing slightly. We expect that we will not see a return to 2007 levels until 2013 or later. Inquiries from small to medium sized industries remain low, with the worst period being during the spring of 2009. However, interest from large industries, including international companies, has been continuing. Our focus for 2012-2013 is to position ourselves to take advantage of the publicity we received from the Volkswagen project. We are also in the process of certifying two of our prime industrial sites through the State of Tennessee Select Tennessee site certification program.

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

Statement of Net Assets

June 30, 2012

ASSETS

Current Assets

Cash

\$ 437,214

Total current assets

\$ 437,214

Capital Assets

Land and other non-depreciable assets

5,860,320

Other capital assets, net of accumulated depreciation

103,239

Total capital assets

5,963,559

Other Assets

Due from Roane Alliance, Inc.

21,242

Certificates of deposit

161,686

Total other assets

182,928

Total assets

\$ 6,583,701

LIABILITIES

Current Liabilities

Due to Roane Alliance, Inc.

\$ 44,193

Total current liabilities

\$ 44,193

Long-term liabilities

Land sale deposits

138,175

Total long-term liabilities

138,175

Total liabilities

\$ 182,368

NET ASSETS

Invested in capital assets, net of related debt

5,963,559

Unrestricted

437,774

Total net assets

\$ 6,401,333

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Statement of Activities
Year Ended June 30, 2012

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	\$ 642,918	\$ -	\$ -	\$ (642,918)	\$ -	\$ (642,918)
Total governmental activities	<u>642,918</u>	<u>-</u>	<u>-</u>	<u>(642,918)</u>	<u>-</u>	<u>(642,918)</u>
General Revenue						
Intergovernmental receipts				478,416	-	478,416
PILOT fees				29,587	-	29,587
Reimbursed expenses				14,130	-	14,130
Interest income				2,454	-	2,454
Miscellaneous revenue				350	-	350
Total general revenue				<u>524,937</u>	<u>-</u>	<u>524,937</u>
Transfers to primary government				<u>(567,500)</u>	<u>-</u>	<u>(567,500)</u>
Change in net assets				(685,481)	-	(685,481)
Net assets at the beginning of the year				<u>7,086,814</u>	<u>-</u>	<u>7,086,814</u>
Net assets at the end of the year				<u>\$ 6,401,333</u>	<u>\$ -</u>	<u>\$ 6,401,333</u>

See notes to financial statements.

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Balance Sheet - Governmental Fund
June 30, 2012

ASSETS

Current Assets

Cash	\$ 437,214	
Total current assets		\$ 437,214

Other Assets

Due from Roane Alliance, Inc.	21,242	
Certificates of deposit	<u>161,686</u>	
Total other assets		<u>182,928</u>

Total assets		<u>\$ 620,142</u>
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LIABILITIES AND FUND BALANCE

Current Liabilities

Due to Roane Alliance	\$ 44,193	
Total current liabilities		\$ 44,193

Long-term liabilities

Land sale deposits	<u>138,175</u>	
Total long-term liabilities		<u>138,175</u>

Total liabilities		182,368
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Fund balance

Unassigned	<u>437,774</u>	
Total fund balance		<u>437,774</u>

Total liabilities and fund balance		<u>\$ 620,142</u>
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Reconciliation to the Statement of Net Assets

Total fund balance as shown above		\$ 437,774
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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>5,963,559</u>
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Net assets of governmental activities		<u>\$ 6,401,333</u>
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THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEEE
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Fund
Year Ended June 30, 2012

Revenues		
Intergovernmental receipts	\$ 478,416	
Reimbursed expenses	14,130	
PILOT fees	29,587	
Interest income	2,454	
Miscellaneous revenue	<u>350</u>	
Total revenues		<u>524,937</u>
Expenditures		
Land purchase	430,075	
Payroll and benefits	140,833	
Improvements	91,166	
Legal and professional	84,757	
Advertising and marketing	59,552	
Repairs and maintenance	37,456	
Logging	30,052	
Rent	12,000	
PILOT program	10,172	
Travel	8,819	
Miscellaneous	3,572	
Equipment	2,261	
Dues and subscriptions	1,843	
Utilities	1,766	
Office	1,335	
Postage and printing	<u>738</u>	
Total expenditures		<u>916,397</u>
Net change in fund balance		(391,460)
Fund balance at the beginning of the year		<u>829,234</u>
Fund balance at the end of the year		<u><u>\$ 437,774</u></u>

THE INDUSTRIAL DEVELOPMENT BOARD
 OF THE COUNTY OF ROANE, TENNESSEE
 Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Governmental Fund (Continued)
 Year Ended June 30, 2012

Reconciliation to the Statement of Activities

Net change in fund balance \$ (391,460)

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	91,166
Deductions from capital assets	(382,426)
Depreciation expense reported in the statement of activities	<u>(2,761)</u>
	<u>(294,021)</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	<u>-</u>
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Change in net assets of governmental activities \$ (685,481)

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Notes to Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity - 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 (the "County") government and receives funding from various county funds. The function of the board is to attract and promote new industry for the County.

Members of the Board are 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.

Financial 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 Board. 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.

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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following fund types are 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:

- 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.

Net Asset Classifications

Government-Wide Statements

Net assets are classified into two components as defined below:

- Net assets, net of related debt - 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.
- Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

The categories of fund balances are explained below:

- *Non-spendable* fund balance includes amounts that cannot be spent because they are either not in spendable form (i.e., inventories) or legally or contractually required to be maintained intact (the corpus of a permanent fund). Non-spendable fund balance also includes the long-term portion of loans and notes receivable and property acquired for resale.
- *Restricted* fund balances have constraints imposed by grantors, creditors, contributors, laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.
- *Committed* fund balances result when the government's governing body imposes constraints through formal action of that body. Committed amounts cannot be used for any other purpose unless the government removes the constraint using the same type of action that was used to commit those amounts.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Net Asset Classifications (Continued)

- *Assigned* fund balances are constrained by the government's intent for those assigned amounts to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by the governing body, a body to which the governing body has delegated authority (i.e., a budget or finance committee), or an official that the governing body has designated.
- *Unassigned* fund balances are any residual balances remaining after all of the other categories of fund balance have been determined.

The Board follows all applicable GASB standards, and has elected not to apply FASB pronouncements issued after November 30, 1989.

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, 2012.

Use of 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 \$1,000 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

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.

Date of Management's Review - Management has evaluated subsequent events for recognition or disclosure through December 17, 2012, which is the date the financial statements were issued. No significant events have occurred that would affect the financial statements or footnote disclosures through that date.

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

NOTE 2 - CONCENTRATION OF CREDIT RISK

As of June 30, 2012, the Board has a cash and certificates of deposit balance of \$407,375 with Regions Bank, \$134,499 with Citizens Bank and \$57,026 with First Bank of Tennessee.

Cash is maintained at financial institutions and, at times, balances may exceed federally insured limits. The Board has never experienced any losses related to these balances. All of the Board's non-interest bearing cash balances were fully insured at June 30, 2012 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is currently no limit to the amount of insurance for eligible accounts. Beginning in 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution.

NOTE 3 - LEASE

Beginning July 1, 2002, the Board began paying annual rent, which includes utilities, of \$12,000. This agreement was renewed on January 1, 2012 for a five year period ending December 31, 2017 with the rent set at \$1,000 per month.

NOTE 4 - 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 5 - RELATED PARTY TRANSACTIONS

Roane County Government is a related party of the Board. Transfers in the amount of \$387,250 were received from Roane County Government for the fiscal year ending June 30, 2012.

NOTE 6 - 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 7 - ECONOMIC DEPENDENCY

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

NOTE 8 - SALE OF LAND

During the year ended June 30, 2012, the Board had land sales totaling \$567,500. The sales had a total land cost of \$824,163. During the year, the Board purchased 23.8 acres of land for \$430,075. The purpose of the purchase was to facilitate one of the land sales during the year, and the cost of the newly acquired land was included as part of that current year land sale. The Board submits most proceeds from the sales of land to the Roane County Government. Some of the proceeds from land sales are used by the Board for legal and survey costs associated with the land sales.

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, 2012 is as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2012</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 5,938,003	\$ 532,903	\$ 824,163	\$ 5,646,743
Legal & Start Up - Macedonia	<u>213,577</u>	<u>-</u>	<u>-</u>	<u>213,577</u>
Total capital assets not being depreciated	<u>6,151,580</u>	<u>532,903</u>	<u>824,163</u>	<u>5,860,320</u>
Other capital assets				
Furniture and fixtures	7,000	-	-	7,000
Office equipment	249	-	-	249
Improvements	<u>115,258</u>	<u>1</u>	<u>-</u>	<u>115,259</u>
Total other capital assets	<u>122,507</u>	<u>1</u>	<u>-</u>	<u>122,508</u>
Less accumulated depreciation for:				
Furniture and fixtures	(5,950)	(700)	-	(6,650)
Office equipment	(133)	(50)	-	(183)
Improvements	<u>(10,424)</u>	<u>(2,012)</u>	<u>-</u>	<u>(12,436)</u>
Total accumulated depreciation	<u>(16,507)</u>	<u>(2,762)</u>	<u>-</u>	<u>(19,269)</u>
Other capital assets, net	<u>106,000</u>	<u>(2,761)</u>	<u>-</u>	<u>103,239</u>
Governmental activities capital assets, net	<u>\$ 6,257,580</u>	<u>\$ 530,142</u>	<u>\$ 824,163</u>	<u>\$ 5,963,559</u>

Depreciation was charged to functions as follows:

Governmental Activities	
General Government	<u>\$ 2,761</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, Inc. 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, Inc. 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 Board changed this agreement and all funds were sent to the Board. The Roane Alliance, Inc. pays the above noted expenses and are billed by the Board for its share.

NOTE 11 - DEFERRED REVENUE

The Board has deferred revenue of \$138,175 at June 30, 2012. This deferred revenue represents deposits that have been received related to future land sales that were not completed as of June 30, 2012. 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 12 - INCOME TAXES

The Board recognizes a tax contingency when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimates and management's judgment with respect to the likely outcome of any uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. Although the tax years ending June 30, 2009 through June 30, 2012 remain open for examination, it is management's opinion that no significant uncertain tax positions exist at June 30, 2012.

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, 2012

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
General revenue				
Intergovernmental receipts	\$ 387,250	\$ 387,250	\$ 478,416	\$ 91,166
PILOT fees	3,500	3,500	29,587	26,087
Grants	2,500	2,500	-	(2,500)
Interest income	-	-	2,454	2,454
Contributions	3,000	3,000	-	(3,000)
Miscellaneous revenue	-	-	350	350
Reimbursed expenses	-	-	14,130	14,130
Total general revenues	<u>396,250</u>	<u>396,250</u>	<u>524,937</u>	<u>128,687</u>
Governmental activity expenditures				
Payroll and benefits	164,504	164,504	140,833	23,671
Land purchase	-	-	430,075	(430,075)
Improvements	-	-	91,166	(91,166)
Office	1,320	1,320	1,335	(15)
Legal and professional	81,366	81,366	84,757	(3,391)
Repairs and maintenance	47,050	47,050	37,456	9,594
Advertising and marketing	62,817	62,817	59,552	3,265
Logging	-	-	30,052	(30,052)
Miscellaneous	1,200	1,200	3,572	(2,372)
Utilities	2,500	2,500	1,766	734
Rent	12,000	12,000	12,000	-
Travel	16,951	16,951	8,819	8,132
Dues and subscriptions	1,400	1,400	1,843	(443)
Postage and printing	900	900	738	162
Equipment	3,242	3,242	2,261	981
PILOT program	1,000	1,000	10,172	(9,172)
Total governmental activities expenditures	<u>396,250</u>	<u>396,250</u>	<u>916,397</u>	<u>(520,147)</u>
Excess expenditures over revenues	<u>-</u>	<u>-</u>	<u>(391,460)</u>	<u>(391,460)</u>
Net change in fund balance	-	-	(391,460)	(391,460)
Fund balance at the beginning of the year	<u>829,234</u>	<u>829,234</u>	<u>829,234</u>	<u>829,234</u>
Fund balance at the end of the year	<u>\$ 829,234</u>	<u>\$ 829,234</u>	<u>\$ 437,774</u>	<u>\$ 437,774</u>

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, TN 37763

We have audited the accompanying financial statements of the Industrial Development Board of the County of Roane, Tennessee (the "Board"), (a component unit of the Roane County Government) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 17, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Board is responsible for establishing and maintaining effective 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 of 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 a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting. We consider item 2012-1 to be a significant deficiency. A *significant deficiency* is a deficiency, or 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 Standards*.

This report is intended solely for the information and use of management, Board, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Roddefm Moss + Co, PLLC

Knoxville, Tennessee
December 17, 2012



THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Schedule of Findings and Responses
Year Ended June 30, 2012

2012-1 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 prior years audits.

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.

