

**THE INDUSTRIAL DEVELOPMENT BOARD  
OF HUMPHREYS COUNTY**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

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**THE INDUSTRIAL DEVELOPMENT BOARD  
OF HUMPHREYS COUNTY, TENNESSEE  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2013**

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## **INTRODUCTORY SECTION**

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
HUMPHREYS COUNTY**

**ROSTER OF OFFICIALS**

**JUNE 30, 2013**

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

## **FINANCIAL SECTION**

**DURHAM, NUNNERY, POYNER & WALTERS, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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WAVERLY, TN 37134  
PHONE 931-296-3107 \* FAX 931-296-1658

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities and the major fund of The Industrial Development Board of Humphreys County (a related entity of Humphreys County, Tennessee) as of and for the year ended June 30, 2013, which collectively comprise the Board's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of The Industrial Development Board of Humphreys County as of June 30, 2013, 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

## **Other Matters**

### *Required Supplementary Information*

The Industrial Development Board of Humphreys County has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

### *Other Information*

Our audit was made for the purpose of forming opinions on the financial statements taken as a whole. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements nor are the schedules required supplementary information of The Industrial Development Board of Humphreys County. The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and

other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 23, 2013, on our consideration of The Industrial Development Board of Humphreys County's internal control over financial reporting and on our test of its compliance with certain provisions or laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Durham, Nunnery, Poyner & Walters, P.C.*

Durham, Nunnery, Poyner & Walters, P.C.  
Certified Public Accountants  
December 23, 2013

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
HUMPHREYS COUNTY, TENNESSEE  
GOVERNMENTAL ACTIVITIES - GENERAL FUND (ONLY FUND)  
BALANCE SHEET/STATEMENT OF NET ASSETS  
JUNE 30, 2013**

<b><u>ASSETS</u></b>	<b><u>Balance Sheet</u></b>	<b><u>Adjustments (Note 2)</u></b>	<b><u>Statement of Net Assets</u></b>
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 151,516.35	\$ -	\$ 151,516.35
Interest Receivable	-	604.89	604.89
Total Current Assets	151,516.35	604.89	152,121.24
<b>Capital Assets</b>			
Land	-	100,000.00	100,000.00
Total Capital Assets	-	100,000.00	100,000.00
<b>TOTAL ASSETS</b>	<b>\$ 151,516.35</b>	<b>\$ 100,604.89</b>	<b>\$ 252,121.24</b>
<b><u>LIABILITIES AND FUND BALANCES/NET ASSETS</u></b>			
<b>Current Liabilities</b>			
Deferred Revenue	\$ -	\$ 5,335.44	\$ 5,335.44
Total Current Liabilities	-	5,335.44	5,335.44
<b>Fund Balances</b>			
Unreserved - Undesignated	151,516.35	(151,516.35)	-
Total Fund Balances	151,516.35	(151,516.35)	-
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 151,516.35</b>		<b>5,335.44</b>
<b>Net Assets</b>			
Invested in Capital Assets		100,000.00	100,000.00
Unrestricted		146,785.80	146,785.80
Total Net Assets		\$ 246,785.80	246,785.80
<b>TOTAL LIABILITIES AND NET ASSETS</b>			<b>\$ 252,121.24</b>

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
HUMPHREYS COUNTY, TENNESSEE  
GOVERNMENTAL ACTIVITIES - GENERAL FUND (ONLY FUND)  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

	Statement of Revenues, Expenditures & Change in Fund Balance	Adjustments (Note 2)	Statement of Activities
<b><u>REVENUES</u></b>			
Investment Earnings - interest	\$ 1,149.51	\$ (779.89)	\$ 369.62
Total Revenues	1,149.51	(779.89)	369.62
<b><u>EXPENDITURES</u></b>			
<u>Administration</u>			
Filing Fees	40.00	-	40.00
Legal & Professional Fees	1,070.00	-	1,070.00
Total Expenditures	1,110.00	-	1,110.00
<b>Excess of Revenues Over Expenditures</b>	39.51	(779.89)	(740.38)
<b><u>OTHER FINANCIAL SOURCES</u></b>			
Proceeds/gain on Sale of Option	-	1,000.40	1,000.40
Total Other Financial Sources	-	1,000.40	1,000.40
<b>Net Change in Fund Balance/Net Assets</b>	39.51	220.51	260.02
<b>Fund Balance/Net Assets - Beginning</b>	151,476.84	95,048.94	246,525.78
<b>Fund Balance/Net Assets - Ending</b>	<u>\$ 151,516.35</u>	<u>\$ 95,269.45</u>	<u>\$ 246,785.80</u>

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

**THE INDUSTRIAL DEVELOPMENT BOARD  
OF HUMPHREYS COUNTY, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Organization**

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

**Financial Reporting Entity**

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

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

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

**Measurement Focus/Basis of Accounting**

The accounting and reporting policies of the Board conform to generally accepted accounting principles applicable to government as defined in the *Statements of Governmental Accounting Standards Board* (GASB). The financial statements are prepared on the basis of GASB Statement Number 34, *Basic Financial Statements, Management's Discussion and Analysis for State and Local Governments* and related standards. This standard mandates government-wide (component unit-wide) financial statements of net assets and activities, which are presented on the "economic

resource” measurement focus and accrual basis of accounting. It also requires, if applicable, that certain fixed assets be recorded at cost less accumulated depreciation.

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

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

- **General Fund** – The General Fund is classified as a Governmental Fund Type and uses the current financial resources measurement focus and the modified accrual basis of accounting whereby revenues are recognized when measurable and available and expenditures are recognized when liabilities are incurred. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues other than grants to be available if they are collected within 30 days after year-end. If applicable, general capital asset acquisitions are reported as expenditures and proceeds of debt instruments are reported as other financing sources.

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

### **Capitalized Interest**

The Board capitalizes interest expense incurred during periods of construction. There was no construction and, consequently, no interest expense was capitalized during the year ended June 30, 2013.

### **Income Taxes**

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

### **Land**

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

## **NOTE 2 – RECONCILIATION ADJUSTMENTS FOR FINANCIAL STATEMENTS**

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

## **NOTE 3 – DEPOSITS AND CUSTODIAL CREDIT RISK**

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Board's deposits may not be returned or the Board will not be able to recover collateral securities in the possession of an outside party. State statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. Further, state statutes require that the collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the Board. Deposits of the Board at June 30, 2013 are entirely insured by FDIC insurance coverage.

## **NOTE 4 – RISK MANAGEMENT**

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

## **NOTE 5 – NOTE PAYABLES/DEFERRED REVENUE**

There were no note payables existing at June 30, 2013. A liability in the amount of \$5,335.84 for deferred revenue existed as a result of an unexpired option contract. On October 24, 2008 the Board received a payment of \$10,004 from Matheson Tri-Gas, Inc. in return for the grant of a 10-year option for the first right of refusal to purchase a tract of land. In accordance with the accrual basis of accounting, the financial statements have been adjusted to reflect the unearned revenue in the amount of \$5,335.84 for the 64 months of the option remaining at June 30, 2013.

## **NOTE 6 – PROPERTY AND EQUIPMENT**

There were no changes in property and equipment for the period ended June 30, 2013.

### **Summary of Accumulated Depreciation**

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

## **NOTE 7 – SUBSEQUENT EVENTS**

There were no subsequent events that require disclosure.

## **SUPPLEMENTARY INFORMATION**

**THE INDUSTRIAL DEVELOPMENT BOARD OF  
HUMPHREYS COUNTY, TENNESSEE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Budget Original/ Final</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b><u>REVENUES</u></b>			
Investment Earnings - interest	<u>\$2,025.00</u>	<u>\$ 1,149.51</u>	<u>(\$875.49)</u>
Total Revenues	2,025.00	1,149.51	(875.49)
<b><u>EXPENDITURES</u></b>			
<u>Administration</u>			
Legal & Professional Fees	1,450.00	1,070.00	380.00
Licenses & Permits	<u>40.00</u>	<u>40.00</u>	<u>0.00</u>
Total Expenditures	1,490.00	1,110.00	380.00
<b>Excess of Revenues Over (Under) Expenditures</b>	535.00	39.51	(495.49)
<b><u>OTHER FINANCIAL SOURCES</u></b>			
Proceeds/gain on Sale of Option	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$535.00</u>	39.51	<u>(\$495.49)</u>
<b>Fund Balance - Beginning</b>		<u>151,476.84</u>	
<b>Fund Balance - Ending</b>		<u>\$151,516.35</u>	

## **INTERNAL CONTROL AND COMPLIANCE SECTION**

**DURHAM, NUNNERY, POYNER & WALTERS, PC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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

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

We have audited, 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, the financial statements of the Governmental activities and the major fund of The Industrial Development Board of Humphreys County (a related entity of Humphreys County, Tennessee) as of and for the year then ended June 30, 2013, and the related notes to the financial statements and have issued our reported thereon dated December 23, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Board’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the effectiveness of the Board’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Board’s internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations, identified as finding 2013-1, that we consider to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Board's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and recommendations, identified as 2013-1.

### **The Industrial Development Board of Humphreys County's Response to Findings**

The Board's response to the finding identified in our audit is described in the accompanying schedule of findings and recommendations. The Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Durham, Nunnery, Poyner & Walters, P.C.*

Durham, Nunnery, Poyner & Walters, P.C.  
Certified Public Accountants  
December 23, 2013

**THE INDUSTRIAL DEVELOPMENT BOARD  
OF HUMPHREYS COUNTY  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2013**

**A. PRIOR YEAR FINDINGS**

*Government Auditing Standards* require auditors to report on the status of uncorrected findings from prior audits. Presented below are the summarized data related to the prior year's (June 30, 2012) audit findings.

**Finding 2012-1:** Internal control weakness relating to segregation of duties.

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

**B. CURRENT YEAR FINDINGS**

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

**Finding 2013-1: Lack of Segregation of Duties**  
(Internal Control – Significant Deficiency under *Government Auditing Standards*)

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

**Recommendation:**

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

**Response:**

There are a limited number of accounting entries on an annual basis. Income is historically primarily been from bank interest on deposits of reserve funds and all deposits are either recapitalized or made direct to accounts by banks. Where there are incoming funds they are deposited by Secretary-Treasurer. Entries are posted by Secretary-Treasurer's admin assistant. Disbursements are all done by check drawn on checking account. All checks are written by admin asst to Secretary-Treasurer. Checks are only signed by Secretary Treasurer. IDB has no employees. It is not economically feasible to segregate financial duties further.