

**REISSUED**

**THE INDUSTRIAL DEVELOPMENT BOARD  
OF FENTRESS COUNTY  
JUNE 30, 2013**

**TAMARA L. BECKMAN  
CERTIFIED PUBLIC ACCOUNTANT**

**THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY**

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**JUNE 30, 2013**

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**THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY  
ROSTER OF MANAGEMENT OFFICIALS AND  
THOSE CHARGED WITH GOVERNANCE  
JUNE 30, 2013**

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2909 Pickett Park Hwy.  
Jamestown, TN 38556

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## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities and the major fund of The Industrial Development Board of Fentress County, a component unit of Fentress County, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise The Industrial Development Board of Fentress County'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 the 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**

My responsibility is to express an opinion 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 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of The Industrial Development Board of Fentress County, a component unit of Fentress County, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Required Supplementary Information**

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historic context. The auditor's opinion on the basic financial statements is not affected by this missing information.

#### **Supplementary Information**

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise The Industrial Development Board of Fentress County's basic financial statements. The Schedule of Changes in Fund Balance - Budget and Actual on page 14 and the Roster of Management Officials and Those Charged with Governance on page 1 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Changes in Fund Balance - Budget and Actual and the Roster of Management Officials and Those Charged with Governance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements

and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Schedule of Changes in Fund Balance - Budget and Actual and the Roster of Management Officials and Those Charged with Governance are fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated October 22, 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 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 Industrial Development Board of Fentress County's internal control over financial reporting and compliance.

October 22, 2013  
Cookeville, Tennessee

*Tamara L. Beckman, CPA*

**THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

Assets

Current Assets

Cash	\$ 157,693.68	
Prepaid Expenses	<u>7,713.70</u>	
Total Current Assets		\$ 165,407.38

Capital Assets

Construction in Progress	758,723.27	
Land	1,002,090.07	
Water Lines	523,911.07	
Building & Improvements	1,614,862.53	
Office Equipment	5,549.15	
Less: Accumulated Depreciation	<u>(404,381.81)</u>	
Total Capital Assets		<u>3,500,754.28</u>

Total Assets		\$ 3,666,161.66
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Liabilities

Current Liabilities

Accounts Payable	<u>81.84</u>	
Total Current Liabilities		81.84

Long-Term Debt	<u>-</u>	
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Total Liabilities		<u>81.84</u>
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Net Position

Net Investment in Capital Assets	3,500,672.44	
Unrestricted	<u>165,407.38</u>	

Total Net Position		<u>\$ 3,666,079.82</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, 2013**

<u>Expenses</u>		
Staffing Services	\$ 30,000.00	
Audit	1,750.00	
Advertising	6,973.94	
Mapping	530.00	
Legal & Accounting	2,970.00	
Other Professional Services	8,845.00	
Dues & Fees	690.00	
Office Expense	1,211.81	
Insurance	500.00	
Repairs & Maintenance	410.00	
Utilities	211.02	
Conferences & Travel	1,967.29	
Depreciation Expense	<u>48,976.21</u>	
Total Expenses		\$ 105,035.27
 <u>Program Revenues</u>		
Rental Income	95,168.98	
Operating Grants & Contributions		
City of Allardt	750.00	
City of Jamestown	2,500.00	
Capital Grants & Contributions		
Fentress County	935,159.50	
Other Grant Income	<u>4,200.00</u>	
Total Program Revenues		<u>1,037,778.48</u>
Net (Expense) Revenue		932,743.21
 <u>General Revenue</u>		
Other Income - Timber	15,870.99	
Interest Income	<u>48.65</u>	
Total General Revenue		<u>15,919.64</u>
Change In Net Position		948,662.85
Net Position, July 1, 2012		<u>2,717,416.97</u>
Net Position, June 30, 2013		<u>\$ 3,666,079.82</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENT

**THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY**  
**BALANCE SHEET**  
**JUNE 30, 2013**

Assets

Current Assets

Cash in Bank \$ 157,693.68

Prepaid Expenses 7,713.70

Total Current Assets \$ 165,407.38

Total Assets \$ 165,407.38

Liabilities & Fund Balance

Current Liabilities

Accounts Payable \$ 81.84

Fund Balance

Restricted \$ 123,605.62

Unassigned 41,719.92

165,325.54

Total Liabilities & Fund Balance \$ 165,407.38

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 POSITION  
JUNE 30, 2013**

Fund Balance-Balance Sheet		\$ 165,325.54
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Amount reported for governmental activities in the Statement of Net Position 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	\$ 3,905,136.09	
Less: Accumulated Depreciation	<u>(404,381.81)</u>	
		3,500,754.28

Long-term liabilities not reported in the fund financial statements		<u>-</u>
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Net Position of Governmental Activities		<u>\$ 3,666,079.82</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, 2013**

Revenues

Rental Income	\$ 95,168.98
Fentress County	935,159.50
City of Allardt	750.00
City of Jamestown	2,500.00
Grant Income	4,200.00
Other Income - Timber	15,870.99
Interest Income	<u>48.65</u>

Total Revenues \$ 1,053,698.12

Expenditures

Current

Staffing Services	30,000.00
Audit	1,750.00
Supplies	1,211.81
Mapping	530.00
Advertising	6,973.94
Professional Services	11,815.00
Dues & Fees	690.00
Utilities	211.02
Repairs & Maintenance	410.00
Insurance	500.00
Conferences & Travel	<u>1,967.29</u>

Total Operating Expenditures 56,059.06

Capital Outlay 911,681.15

Debt Services

Principal 7,114.22

Total Expenditures 974,854.43

Net Change in Fund Balance 78,843.69

Fund Balance, July 1, 2012 86,481.85

Fund Balance, June 30, 2013 \$ 165,325.54

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, 2013**

Net Change in Fund Balance \$ 78,843.69

Amount reported for governmental activities in the Statement of Net Position  
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	\$	911,681.15	
Less: Depreciation Expense		<u>(48,976.21)</u>	
			862,704.94

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	<u>7,114.22</u>
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Change in Net Position of Governmental Activities	<u>\$ 948,662.85</u>
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**THE INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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. In the Governmental fund financial statements, the Board considers receivables collected within thirty days after year-end to be available and recognizes them as revenues of the current year. Program Revenues consist of rental income, operating and capital grants and contributions.

Note 2 – Government – Wide Financial Statements

The Government-wide financial statements include the Statement of Net Position 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 October 23, 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, 2013 was maintained as follows: The operating fund, the development fund and the justice center 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, 2013:

<u>Assets Not Depreciated</u>	<u>6-30-12 Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>6-30-13 Balance</u>
Land	\$ 850,236.19	\$ 151,853.88	\$ --	\$1,002,090.07
CIP	<u>178,621.05</u>	<u>759,827.27</u>	<u>&lt;179,725.05&gt;</u>	<u>758,723.27</u>
Subtotal	<u>1,028,857.24</u>	<u>911,681.15</u>	<u>&lt;179,725.05&gt;</u>	<u>1,760,813.34</u>
 <u>Assets Depreciated</u>				
Water Lines	523,911.07	--	--	523,911.07
Bldg & Imp.	1,435,137.48	179,725.05	--	1,614,862.53
Office Equip.	<u>5,549.15</u>	<u>--</u>	<u>--</u>	<u>5,549.15</u>
Subtotal	<u>1,964,597.70</u>	<u>179,725.05</u>	<u>--</u>	<u>2,144,322.75</u>
Total Assets	<u>\$2,993,454.94</u>	<u>\$1,091,406.20</u>	<u>\$&lt;179,725.05&gt;</u>	<u>\$3,905,136.09</u>

The following is a schedule of accumulated depreciation as of June 30, 2013:

<u>Assets</u>	<u>6-30-12 Accum Depr.</u>	<u>Current Deprec Exp.</u>	<u>Disposals</u>	<u>6-30-13 Accum Depr.</u>
Water Lines	\$ 32,744.45	\$ 13,097.78	\$ --	\$ 45,842.23
Bldg & Imp.	317,112.00	35,878.43	--	352,990.43
Office Equip.	<u>5,549.15</u>	<u>--</u>	<u>--</u>	<u>5,549.15</u>
Total	<u>\$355,405.60</u>	<u>\$ 48,976.21</u>	<u>--</u>	<u>\$404,381.81</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, 2013, the carrying amount of The Industrial Development Board of Fentress County’s cash deposits was \$157,693.68. 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, 2013 was \$30,000.00.

Note 13 – Loans

At June 30, 2013, the loan to Volunteer Electric Cooperative in the amount of \$ 74,624.90 had been paid off. This loan was a non interest-bearing loan with monthly payments of \$2,763.89 beginning October 15, 2004. The following is a schedule of long-term debt payments for Volunteer Electric Coop.

<u>Due Date</u>	<u>Principal</u>	<u>Balance</u>
6-30-13	\$ --	\$ --

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

<u>Description</u>	<u>6-30-12 Balance</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>6-30-13 Balance</u>
VEC Loan	\$ 7,114.22	\$ --	\$ 7,114.22	\$ --
Total	\$ 7,114.22	\$ --	\$ 7,114.22	\$ --

**THE INDUSTRIAL DEVELOPMENT BOARD  
OF FENTRESS COUNTY**

**SUPPLEMENTARY INFORMATION**

**JUNE 30, 2013**

**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, 2013**  
**(unaudited)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Revenues</u>			
Rental Income	\$ 93,000.00	\$ 95,168.98	\$ 2,168.98
Fentress County	101,240.00	935,159.50	833,919.50
City of Jamestown	2,500.00	2,500.00	-
City of Allardt	750.00	750.00	-
Grant Income	-	4,200.00	4,200.00
Other Income - Timber	-	15,870.99	15,870.99
Interest Income	-	48.65	48.65
Total Revenue	<u>197,490.00</u>	<u>1,053,698.12</u>	<u>856,208.12</u>
<u>Expenditures</u>			
Operating			
Staffing Services	30,000.00	30,000.00	-
Office Expense	1,000.00	1,211.81	(211.81)
Audit	2,500.00	1,750.00	750.00
Mapping	-	530.00	(530.00)
Advertising	15,000.00	6,973.94	8,026.06
Utilities	-	211.02	(211.02)
Repairs & Maintenance	-	410.00	(410.00)
Insurance	-	500.00	(500.00)
Dues & Permit Fees	-	690.00	(690.00)
Professional Services	5,000.00	11,815.00	(6,815.00)
Conferences & Travel	9,000.00	1,967.29	7,032.71
Total Operating Expenditures	<u>62,500.00</u>	<u>56,059.06</u>	<u>6,440.94</u>
Capital Outlay	110,000.00	911,681.15	(801,681.15)
Debt Services			
Principal	55,000.00	7,114.22	47,885.78
Interest	-	-	-
Total Debt Services	<u>55,000.00</u>	<u>7,114.22</u>	<u>47,885.78</u>
Total Expenditures	<u>227,500.00</u>	<u>974,854.43</u>	<u>(747,354.43)</u>
Net Change in Fund Balance	(30,010.00)	78,843.69	108,853.69
Fund Balance, July 1, 2012	<u>85,129.33</u>	<u>86,481.85</u>	<u>1,352.52</u>
Fund Balance, June 30, 2013	<u>\$ 55,119.33</u>	<u>\$ 165,325.54</u>	<u>\$ 110,206.21</u>

**TAMARA L. BECKMAN**  
CERTIFIED PUBLIC ACCOUNTANT

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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, in accordance with the auditing standards generally accepted in the United State 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 Fentress County, a component unit of Fentress County, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise The Industrial Development Board of Fentress County's basic financial statements, and have issued my report thereon dated October 22, 2013.

**Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered The Industrial Development Board of Fentress County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Industrial Development Board of Fentress County's internal control. Accordingly, I do not express an opinion on the effectiveness of The Industrial Development Board of Fentress County'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.

My 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. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Industrial Development Board of Fentress County'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*.

The purpose of this report is solely to describe the scope of my 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.

October 22, 2013  
Cookeville, Tennessee

*Tamara L. Beckman, CPA*