

**THE INDUSTRIAL BOARD OF
COFFEE COUNTY, TENNESSEE, INC.**

FINANCIAL STATEMENTS

JUNE 30, 2013

**THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
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INTRODUCTORY SECTION

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
SCHEDULE OF BOARD OFFICIALS
JUNE 30, 2013

Board Members:

Karl Boehm
George Brown
Buster Bush
William Comer
Jeff Fishman
Bill Johnson
Dr. Richard Kulp
Marvin McKee
Elmer Morris
Mary Niederhauser
Dr. Jesse Overall
Roland Segroves

FINANCIAL SECTION

Board of Directors
The Industrial Board of Coffee County, Tennessee, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund Industrial Board of Coffee County, Tennessee, Inc., a component unit of Coffee County, Tennessee as of and for the year ended June 30, 2013, and the related notes to the financial statements, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of The Industrial Board of Coffee County, Tennessee, Inc. as of June 30, 2013, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Auditor's Responsibility

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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fun of the The Industrial Board of Coffee County, Tennessee, Inc. as of June 30, 2013, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages A-1 and A-4 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Industrial Board of Coffee County, Tennessee, Inc.'s basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2013, on our consideration of The Industrial Board of Coffee County, Tennessee, Inc.'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* in considering The Industrial Board of Coffee County, Tennessee, Inc.'s internal control over financial reporting and compliance.

Harsholder Atman PLLC

December 10, 2013

**THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

The Industrial Board of Coffee County, Tennessee, Inc. (Board) is a component unit of Coffee County, Tennessee (the primary government). The primary government appoints members of the board of directors, and is funded primarily by appropriations from the county. The purpose of the Board is to promote industry and develop trade for Coffee County, Tennessee.

FINANCIAL HIGHLIGHTS

1. The assets of the Board exceeded its liabilities at the close of the most recent fiscal year by \$1,392,626 (net position). Of this amount, \$908,189 is considered unrestricted funds and may be used to meet the government's ongoing obligations to citizens and creditors.
2. The Board's total net position increased by \$37,278.
3. As of the close of the current fiscal year, the Board's governmental funds reported ending fund balances of \$922,174 representing a decrease of \$22,211 from the previous year. \$922,174 or 100%, of this total amount is available for spending at the government's discretion (unassigned fund balances).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Industrial Board of Coffee County's basic financial statements. The Board's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements These financial statements are designed to provide readers with a broad overview of the Industrial Board of Coffee County's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Board's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The statement of activities presents information showing how the Board's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide Statement of Activities reports both the gross and the net cost of the Board's programs. The functions are also supported by general governmental revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function.

Fund Financial Statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Board are governmental funds.

**THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Governmental funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the Board-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a Board's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of the Board's financial position. The Industrial Board of Coffee County, Tennessee, Inc.'s assets exceeded liabilities by \$1,392,626 at June 30, 2013.

THE INDUSTRIAL BOARD OF COFFEE COUNTY'S NET POSITION

	Governmental		Total	
	Activities			
	2013	2012 restated	2013	2012 restated
Current and other assets	\$ 934,087	\$ 944,385	\$ 934,087	\$ 944,385
Capital assets	1,378,937	1,391,295	1,378,937	1,391,295
Total assets	2,313,024	2,335,680	2,313,024	2,335,680
Long-term liabilities	796,720	902,000	796,720	902,000
Other liabilities	123,678	78,332	123,678	78,332
Total liabilities	920,398	980,332	920,398	980,332
Net position:				
Invested in capital assets,				
net of related debt	484,437	429,295	484,437	429,295
Unrestricted	908,189	926,053	908,189	926,053
Total net position	<u>\$ 1,392,626</u>	<u>\$ 1,355,348</u>	<u>\$ 1,392,626</u>	<u>\$ 1,355,348</u>

34% of the Board's net assets reflect its investment in capital assets (for example – land improvements, vehicles, equipment, and construction in progress); less any related debt used to acquire those assets that are still outstanding. The Board uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. Although the Board's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

The following is a summary of financial activities for the Board during the fiscal year ended June 30, 2013 and 2012:

THE INDUSTRIAL BOARD OF COFFEE COUNTY'S CHANGE IN NET POSITION

	Governmental		Total	
	2013	2012	2013	2012
General revenues:				
Contributions from county	\$ 250,000	\$ 251,761	\$ 250,000	\$ 251,761
Sign lease	1,750	1,750	1,750	1,750
Investing earnings	17,299	23,212	17,299	23,212
Land sale	31,000	20,000	31,000	20,000
Miscellaneous income	11,550	-	11,550	-
Total general revenues	<u>311,599</u>	<u>296,723</u>	<u>311,599</u>	<u>296,723</u>
Expenses:				
Administration	<u>274,321</u>	<u>249,479</u>	<u>274,321</u>	<u>249,479</u>
Total expenses	<u>274,321</u>	<u>249,479</u>	<u>274,321</u>	<u>249,479</u>
Change in net position	37,278	47,244	37,278	47,244
Net assets, beginning of year	1,355,348	1,326,436	1,355,348	1,326,436
Prior period adjustment	-	(18,332)	-	(18,332)
Net assets, end of year	<u>\$ 1,392,626</u>	<u>\$ 1,355,348</u>	<u>\$ 1,392,626</u>	<u>\$ 1,355,348</u>

Governmental activities increased the Board's net position by \$37,278.

**THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013**

Capital Asset and Debt Administration

Capital Assets The City's investment in capital assets for its governmental activities as of June 30, 2013 amounted to \$1,378,937. This investment includes land improvements, vehicles, equipment, and construction in progress.

THE INDUSTRIAL BOARD OF COFFEE COUNTY'S CAPITAL ASSETS

	Governmental Activities		Total	
	2013	2012	2013	2012
Equipment	\$ 23,891	\$ 23,891	\$ 23,891	\$ 23,891
Land improvements	45,080	45,080	45,080	45,080
Construction in progress	1,190,459	1,190,459	1,190,459	1,190,459
Vehicles	199,705	199,705	199,705	199,705
Accumulated depreciation	(80,198)	(67,840)	(80,198)	(67,840)
Total capital assets	<u>\$ 1,378,937</u>	<u>\$ 1,391,295</u>	<u>\$ 1,378,937</u>	<u>\$ 1,391,295</u>

Long-term Debt At the end of the fiscal year, the Board's total debt was \$894,500.

THE INDUSTRIAL BOARD OF COFFEE COUNTY'S LONG TERM LIABILITIES

	Governmental Activities		Total	
	2013	2012 (restated)	2013	2012
Due within one year	\$ 97,780	\$ 60,000	\$ 97,780	\$ 60,000
Due in more than one year	810,705	920,332	810,705	920,332
	<u>\$ 908,485</u>	<u>\$ 980,332</u>	<u>\$ 908,485</u>	<u>\$ 980,332</u>

Requests for Information

This financial report is designed to provide a general overview of The Industrial Board of Coffee County's finances for all those with an interest in such. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Industrial Board of Coffee County, 1329 McArthur Street, Suite 4, Manchester, TN 37355.

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities	Total
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 852,747	\$ 852,747
Interest receivable	2,211	2,211
Note receivable	79,129	79,129
	934,087	934,087
Non-current assets:		
Capital assets, net of depreciation	1,378,937	1,378,937
Total assets	\$ 2,313,024	\$ 2,313,024
LIABILITIES		
Current liabilities:		
Accrued expenses and other liabilities	\$ 11,913	\$ 11,913
Notes payable - current portion	97,780	97,780
Total current liabilities	109,693	109,693
Long term liabilities:		
Notes payable	796,720	796,720
Compensated absences	13,985	(13,985)
	810,705	(810,705)
Total liabilities	920,398	920,398
NET POSITION		
Net investment in capital assets	484,437	484,437
Fund balance-undesignated	908,189	908,189
Total net position	1,392,626	1,392,626
Total liabilities and net position	\$ 2,313,024	\$ 2,313,024

The accompanying notes are an integral part of this financial statement.

**THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Governmental Activities</u>	<u>Total</u>
Function/Program:		
Administration	\$ 274,321	\$ 274,321
General revenues:		
Contributions from county	250,000	250,000
Sign lease	1,750	1,750
Investment earnings	17,299	17,299
Land sale	31,000	31,000
Miscellaneous income	11,550	11,550
Total general revenues	<u>311,599</u>	<u>311,599</u>
Change in net position	37,278	37,278
Net position, beginning	1,373,680	1,373,680
Prior period adjustment-GASB 34	18,332	18,332
Net position, ending	<u>\$ 1,392,626</u>	<u>\$ 1,392,626</u>

The accompanying notes are an integral part of this financial statement.

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 852,747	\$ 852,747
Interest receivable	2,211	2,211
Note receivable	79,129	79,129
Total assets	\$ 934,087	\$ 934,087
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accrued expenses and other liabilities	\$ 11,913	\$ 11,913
Fund balance:		
Unassigned	922,174	922,174
Total liabilities and fund balance	\$ 934,087	\$ 934,087

The accompanying notes are an integral part of this financial statement.

**THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

Total fund balance per fund financial statements	\$	922,174
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 not reported in governmental funds.		1,378,937
Long-term liabilities are not due and payable in the current period and therefore are not reported in governmental funds.		(894,500)
GASB 34-compensated absences		(13,985)
Net assets of governmental activities	\$	1,392,626

The accompanying notes are an integral part of this financial statement.

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	General	Total Governmental Funds
REVENUES		
Contributions from county	\$ 250,000	\$ 250,000
Investment earnings	17,299	17,299
Miscellaneous income	13,300	13,300
	280,599	280,599
EXPENDITURES		
Salaries	140,407	140,407
Payroll taxes	9,009	9,009
Employee benefits	22,500	22,500
Executive director expense	2,983	2,983
Board members expense	5,992	5,992
Office operation	7,663	7,663
Memberships and subscriptions	5,396	5,396
Telephone	1,776	1,776
Auto expense	5,975	5,975
Prospect development/travel	12,927	12,927
Promotion	4,881	4,881
Professional services	3,851	3,851
Existing industries	4,171	4,171
Engineering services	11,579	11,579
Industrial park maintenance	15,207	15,207
Fees	80	80
Interest expense	11,913	11,913
	266,310	266,310
Excess of revenues over expenditures	14,289	14,289
OTHER FINANCING SOURCES (USES)		
Proceeds from sale of land	31,000	31,000
Principal paid on loan	(67,500)	(67,500)
	(36,500)	(36,500)
Net change in fund balance	(22,211)	(22,211)
Fund balance, beginning	944,385	944,385
Fund balance, ending	\$ 922,174	\$ 922,174

The accompanying notes are an integral part of this financial statement.

**THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Net change in fund balance - governmental funds	\$	(22,211)
<p>Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Depreciation expense		(12,359)
Repayment of principal on notes payable is an expenditure in the governmental funds, but reduces long-term liabilities in the statement of net assets.		67,500
Decrease in compensated absences		4,348
Change in net assets of governmental activities	\$	37,278

The accompanying notes are an integral part of this financial statement.

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Industrial Board of Coffee County, Tennessee, Inc. was incorporated in 1969. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Industrial Board of Coffee County, Tennessee, Inc. The Board is a component unit of Coffee County, Tennessee (the primary government). The primary government appoints members of the board of directors, and is funded primarily by appropriations from the county. The purpose of the Board is to promote industry and develop trade for Coffee County, Tennessee.

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

Government-Wide Statements

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

In 2013, the Board adopted the provisions of the GASB Statement 63 that established reporting standards for deferred outflows of resources and deferred inflows of resources of all state and local governmental entities. Statement 63 amends the net assets reporting requirements in Statement 34 by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. As required by GASB 63, net position is presented in following three components:

- Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of debt is included in the same net position component as the unspent proceeds.
- Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net position consists of all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Statement 63 defines deferred outflows of resources as a consumption of net position by the government that is applicable to a future reporting period and deferred inflows of resources as an acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position, similar to assets, and deferred inflows of resources have a negative effect on net position, similar to liabilities. At June 30, 2013 the System did not have deferred outflows of resources or deferred inflows of resources, as defined in the Statement 63, reported in the statement of net position. The effect of adoption of Statement 63 has no material impact on amounts reported in the financial statements.

Reserves, Designations of Fund Balances – In the governmental fund financial statements, the Board has established and will maintain reservations of fund balance, as defined in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The main objective of this standard is to improve the understandability and the usefulness of fund balance information by providing clear fund balance classifications. GASB 54 shall only apply to the Board's governmental funds. Fund balance is reported in the fund financial statements under the following classifications:

Nonspendable fund balance - Amounts that cannot be spent because they are not in a spendable form, including items not expected to be converted to cash (i.e. inventory or prepaids) or are legally or contractually required to be maintained intact (principal of permanent fund).

Restricted fund balance - Amount of fund balance that can be spent for specific purposes stipulated by external resource or through enabling legislation.

Committed fund balance - Amounts constrained for specific purposes as determined by formal action of the Board of Directors, the highest level of decision-making body. Amounts classified as committed are not subject to legal enforceability; however, they cannot be used for any other purpose unless the Board removes or changes the commitment by the same highest level of action taken to commit the funds, either by resolution or ordinance.

Assigned fund balance - Amounts are intended to be used by the Board but do not meet the criteria of restricted or committed. Intent can be expressed by the Board or by an official who has been designated this authority by the Board. Appropriations of fund balance to eliminate budgetary deficits in subsequent year's budget are presented as assigned.

Unassigned fund balance - In accordance with GAAP, unassigned fund balance is the residual classification of the General Fund that does not meet any of the other classifications.

Stabilization policy - The Board has a fund balance policy that requires that the unassigned fund balance be maintained at a level sufficient to provide for the required resources to meet operating cost needs, to allow for unforeseen needs of an emergency nature, and to permit orderly adjustment of changes resulting from fluctuations of revenue sources.

Spending policy – Unless otherwise stated, the fund balances will be spent in the following order:

- Restricted
- Committed
- Assigned
- Unassigned

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and 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.

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

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

The Board adopts a budget for the General Fund as a management control device. The budget is adopted on a basis consistent with generally accepted accounting principles.

Date of Management’s Subsequent Review

Management has evaluated subsequent events through December 10, 2013, which is the date the financial statements were available to be issued.

Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts or revenues and expenses during the reporting period. Actual results could differ from those estimates.

Equipment

Equipment is stated at cost, less accumulated depreciation, which is computed by the straight-line method over an estimated useful life of 5-20 years. Major expenditures for equipment and for repairs which substantially increase the useful lives are capitalized. Maintenance, minor repairs and minor acquisitions are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in revenue or expense.

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purpose of reporting cash flows, cash equivalents include all short-term liquid investments with maturities of three months or less.

Accounts Receivable

The Board considers accounts receivable to be fully collectible at June 30, 2013; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged off when that determination is made.

Compensated Absences

Employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation leave and sick leave, if vested. Accumulated unpaid vacation and sick pay related to governmental fund type operations that has not matured is reported in the applicable governmental activities in the Statements of Net Position and Activities, but is not a governmental fund liability, because it is not expected to be liquidated with expendable available resources.

Federal Income Taxes

The Industrial Board of Coffee County is exempt from federal and state income tax.

Pension Plan

The Board does not provide a pension plan for its employees; however, employees are covered under the plan for Coffee County. Employees of Coffee County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS).

NOTE 2 – CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

The Board is authorized to deposit its funds in banks, trust companies, or other depositories as the Board may select. Deposits are carried at cost. At year-end, the carrying amount of deposits was \$852,747, and the bank balance was \$870,140. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions, less the amount protected by federal depository insurance. At June 30, 2013, deposits of one bank were not fully insured at the 105% required level at one local bank.

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 3 – CAPITAL ASSETS

Property, plant and equipment consist of various office machines and improvements, which are being depreciated over 5-20 years using the straight-line method.

A summary of changes in the capital assets is as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Capital assets, being depreciated:				
Equipment	\$ 23,891	\$ -	\$ -	\$ 23,891
Land improvements	45,080	-	-	45,080
Construction in progress	1,190,459	-	-	1,190,459
Vehicles	199,705	-	-	199,705
Total capital assets being depreciated	<u>1,459,135</u>	<u>-</u>	<u>-</u>	<u>1,459,135</u>
Less accumulated depreciation:				
Equipment	(17,914)	(2,373)	-	(20,287)
Vehicles	(49,926)	(9,985)	-	(59,911)
Total accumulated depreciation	<u>(67,840)</u>	<u>(12,358)</u>	<u>-</u>	<u>(80,198)</u>
Total capital assets being depreciated, net	<u>\$ 1,391,295</u>	<u>\$ (12,358)</u>	<u>\$ -</u>	<u>\$ 1,378,937</u>

Depreciation expense for the year ended June 30, 2013 was \$12,358.

NOTE 4 – NOTES PAYABLE AND OTHER OBLIGATIONS

A. Transaction Summary

Note and other obligations activity for the year ended June 30, 2013 was as follows:

	<u>Balance July 1, 2012 (Restated)</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
Notes payable:					
DREMC	\$ 322,500	\$ -	\$ (52,500)	\$ 270,000	\$ 45,000
Construction loan	485,000	-	(15,000)	470,000	52,780
City of Manchester	154,500	-	-	154,500	-
	962,000	-	(67,500)	894,500	97,780
Other obligations:					
Compensated absences (beginning bal restated)	18,332	-	(4,347)	13,985	-
	<u>\$ 980,332</u>	<u>\$ -</u>	<u>\$ (71,847)</u>	<u>\$ 908,485</u>	<u>\$ 97,780</u>

* Balance at July 1, 2012 restated to include compensated absences

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 4 – NOTES PAYABLE (continued)

B. Description of Amounts Payable

Notes payable as of June 30, 2013:

Note payable with DREMC at no interest. No principal payments for 24 months, then 96 monthly principal payments of \$3,750.	\$ 270,000
Construction loan with bank. No principal payments for 24 months, then 2 annual principal payments of \$15,000 with no interest, then 8 annual payments of \$67,076 with interest rate of 3%.	470,000
Note payable with City of Manchester, due when speculative building is sold.*	<u>154,500</u>
	<u>\$ 894,500</u>
Other obligations:	
Compensated absences	<u>13,985</u>
	<u><u>\$ 908,485</u></u>

* This is a construction loan and terms of the loan will be finalized when construction is complete.

C. Annual Debt Service Requirements

Annual debt service requirements for notes outstanding to maturity are as follows:

	Notes		Total	
	Principal	Interest	Principal	Interest
June 30,				
2014	\$ 97,780	\$ 14,295	\$ 97,780	\$ 14,295
2015	99,386	12,690	99,386	12,690
2016	101,040	11,036	101,040	11,036
2017	102,745	9,331	102,745	9,331
2018	104,501	7,575	104,501	7,575
2019-2023	234,548	11,682	234,548	11,682
	<u>\$ 740,000</u>	<u>\$ 66,609</u>	<u>\$ 740,000</u>	<u>\$ 66,609</u>
		Annual debt service requirements	\$ 740,000	
		Construction loan	<u>154,500</u>	
			<u>\$ 894,500</u>	

* Since this note is not due until the speculative building is sold, it is not included in the schedule above.

NOTE 5 – PENSION

Employees of the Industrial Board and Coffee County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employments. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 5 – PENSION (continued)

Tennessee General Assembly. Political subdivisions such as Coffee County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement system, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

The county requires employees to contribute five percent (5%) of their earnable compensation to the plan. The county contributes at an actuarially determined rate; the rate for fiscal year ending June 30, 2013 was 8.52% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2013, the CCIDB annual pension cost totaled \$10,800. Covered payroll for the year ended totaled \$126,761. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually, (b) projected 3.0% annual rate of inflation, (c) projected salary increases of inflation on salaries), (d) projected 3.5% annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 3 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012. Actuarial information including trend analysis and funding progress is included in the annual report for Coffee County, Tennessee for the year ended June 30, 2013.

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The Industrial Board and Coffee County participate in the state-administered Local Government Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-207, Tennessee Code Annotated (TCA) for local governments. Prior to reaching age 65, all members have the option of choosing between standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee comprehensive Annual Financial report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finbance/act/cafr.html>.

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Funding Policy

The premium requirements of the plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employee' premiums since the committee is not prescriptive on that issue. During the year the Industrial Board contributed \$-0- to the plan. Addition actuarial information on the OPEB cost and obligation is available on the annual report for Coffee County, Tennessee for the year ended June 30, 2013.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The Board receives a substantial amount of its support from the local county government. A significant reduction in the level of such support, if this were to occur, may have an effect on the Board's programs and activities.

The Board had entered in an agreement to build a speculative building in the City of Manchester Industrial Park. The infrastructure is to be partially paid with a Fast Tract Grant of \$750,000 obtained by the City of Manchester. The Industrial Board will fund \$135,000 of the cost. These funds will be reimbursed by the City to the Industrial Board upon sale of the property. The total cost of the spec building project is estimated now to be \$1,835,000 (not including land cost). The City of Manchester sold 10.3 acres of land for the building to the Industrial Board for \$154,500. This amount is to be reimbursed when the building is sold. Funding for the project will be from loans through local banks, grant funds to the City of Manchester, DREMC loan and TVA loan. Construction costs as of June 30, 2013 total \$1,190,459.

NOTE 8 – NOTE RECEIVABLE

The Board has a note receivable due from an individual dated September 28, 2006 to sell 17.42 acres located in the Coffee County Interstate Industrial Park. The gross sales price was \$104,520, with \$42,000 paid to the Board at closing, and a note receivable for the remainder of \$62,520. The note is due September 28, 2013 and is secured by a deed of trust on the property. No monthly payments were due until September 28, 2010, at which time payments of \$633 were commenced for not more than three years, with the remainder being due at September 28, 2013. According to the term of the note, interest is added to the principal balance annually. The interest rate is 5.5%. The balance of the note receivable at June 30, 2013 was \$79,129. No payments have been received during 2013 fiscal year; however, the note is considered collectible; therefore, no provision for loss has been recorded.

Schedule of changes to note receivable during the year follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
Note receivable:					
Teal note	\$ 79,129	\$ -	\$ -	\$ 79,129	\$ 79,129
	<u>\$ 79,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,129</u>	<u>\$ 79,129</u>

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE 9 – LEASE AGREEMENT

The Board purchased a fire truck in July 2007 for \$199,705. The truck is to be leased to the Hickerson Station Fire Department. There is no stated monthly lease payment with the fire station responsible for insurance, maintenance and service on the truck with ownership remaining with the Industrial Board. The lease is for continuous twelve-month periods with sixty (60) day notice by either party required to terminate the lease agreement.

NOTE 10 – PRIOR PERIOD ADJUSTMENT

The amount of compensated absences has been recorded in the statement of Net Position with the amount applicable to prior years recorded as a prior period adjustment in the Statement of Activities.

SUPPLEMENTARY INFORMATION

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
SCHEDULE OF DEBT SERVICE REQUIREMENTS
JUNE 30, 2013

Year	DREMC Note		Construction Loan with bank		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 45,000	\$ -	\$ 52,780	\$ 14,295	\$ 97,780	\$ 14,295
2015	45,000	-	54,386	12,690	99,386	12,690
2016	45,000	-	56,040	11,036	101,040	11,036
2017	45,000	-	57,745	9,331	102,745	9,331
2018	45,000	-	59,501	7,575	104,501	7,575
2019-2023	45,000	-	189,548	11,682	234,548	11,682
	<u>\$ 270,000</u>	<u>\$ -</u>	<u>\$ 470,000</u>	<u>\$ 66,609</u>	<u>\$ 740,000</u>	<u>\$ 66,609</u>

Construction Loan with City of Manchester

Loan balance is \$154,500 as of June 30, 2013. Since the note payable is not due until the speculative building is sold, it is not included in the schedule above.

Reconciliation:	
Schedule above	\$ 740,000
Loan with no maturity date	<u>154,500</u>
	<u>\$ 894,500</u>

See accompanying accountant's report.

**THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
SCHEDULE OF PUBLIC OFFICIALS AND BONDS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Official</u>	<u>Name</u>	<u>Bond Amount</u>
All employees	All employees	\$150,000 each and every loss \$500 deductible

See accompanying accountant's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

**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***

To the Board of Directors
The Industrial Board of Coffee County, Tennessee, Inc.

We have audited, in accordance with the 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 general fund of The Industrial Board of Coffee County, Tennessee, Inc., as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise The Industrial Board of Coffee County, Tennessee, Inc.'s basic financial statements and have issued our report thereon dated December 10, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Industrial Board of Coffee County, Tennessee, Inc.'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Industrial Board of Coffee County, Tennessee, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Industrial Board of Coffee County, Tennessee, Inc.'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 questioned costs as items 2013-01 to 2013-03 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Industrial Board of Coffee County, Tennessee, Inc. 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Industrial Board of Coffee County, Tennessee, Inc.'s Response to Findings

The Industrial Board of Coffee County, Tennessee, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Industrial Board of Coffee County, Tennessee, Inc.'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.



Housholder Artman, PLLC
Tullahoma, Tennessee

December 10, 2013

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
JUNE 30, 2013

Item 2013-01: Segregation of Duties

The size of the Board's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Recommendation: Exercise proper segregation of duties to the extent possible with limited employees.

Management's response: We concur with the auditors' finding and recommendation.

Item 2013-02: Financial Statement Preparation

Under professional standards promulgated by the American Institute of Certified Public Accountants, there is a presumed deficiency in internal control when the financial statements and related disclosures are drafted by the auditor, unless the Board possesses an accounting department that is staffed with personnel with requisite skills and training to perform such function and the function was performed by the auditor as an accommodation to management. For this engagement, financial statements were submitted to us, which were generated as a by-product of the bookkeeping system. We proposed certain adjustments to these financial statements as a result of our audit and we drafted the financial disclosures required by professional standards.

Recommendation: Management may wish to acknowledge and accept this deficiency or develop compensating controls.

Management's response: Although alternative options will be explored, due to the nature and size of our organization, it may not be feasible or possible to perform these functions internally.

Item 2013-03: Cash Deposits with Financial Institutions

Deposits of one bank were not collateralized as required by State regulation.

Recommendation: The deposits of the funds should be collateralized as specified by regulations.

Management's response: We concur.

THE INDUSTRIAL BOARD OF COFFEE COUNTY, TENNESSEE, INC.
DISPOSITION OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2013

Item 2012-01: Segregation of Duties

The size of the Board's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Recommendation: Exercise proper segregation of duties to the extent possible with limited employees.

Management's response: We concur with the auditors' finding and recommendation.

Update: See current year finding 2013-01.

Item 2012-02: Financial Statement Preparation

Under professional standards promulgated by the American Institute of Certified Public Accountants, there is a presumed deficiency in internal control when the financial statements and related disclosures are drafted by the auditor, unless the Board possesses an accounting department that is staffed with personnel with requisite skills and training to perform such function and the function was performed by the auditor as an accommodation to management. For this engagement, financial statements were submitted to us, which were generated as a by-product of the bookkeeping system. We proposed certain adjustments to these financial statements as a result of our audit and we drafted the financial disclosures required by professional standards.

Recommendation: Management may wish to acknowledge and accept this deficiency or develop compensating controls.

Management's response: Although alternative options will be explored, due to the nature and size of our organization, it may not be feasible or possible to perform these functions internally.

Update: See current year finding 2013-02.