INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF BENTON

CAMDEN, TENNESSEE

FINANCIAL STATEMENTS

JUNE 30, 2013

INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF BENTON
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INTRODUCTORY SECTION

INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF BENTON
DIRECTORY
June 30, 2013

BOARD MEMBERS

Sam Long
Ron Lane
Barry Barnett
Tim Plunk
Kathy Hooten
Bob Keast
Mike Caldwell
Linda Zanaty

MANAGEMENT TEAM

Linda Zanaty, Accountant

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION

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American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

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Independent Auditor's Report

Board of Directors
Industrial Development Board of the County of Benton
Camden, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Industrial Development board of the County of Benton (the Board), Camden, 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.

Auditor's Responsibility

Our responsibility is to express opinions on theses financial statements based on out 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, where 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. According, 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 out 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 the major fund of the Industrial Development Board of Benton County, Camden Tennessee, as of June 30, 2013, and the respective changed 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 on pages 4-6 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 inquires of management about the methods of preparing the information and comparing the information of consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during out 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 Development Board of Benton County, Camden Tennessee, basic financial statements. The introductory section and the supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of state financial assistance is the responsibility of management and was derived from and related 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 our opinion, the schedule of state financial assistance is fairly stated, in all material respected, in relation to the basic 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 report dated February 10, 2014, on consideration of the Industrial Development Board of Benton County, Camden Tennessee, 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 Development Board of Benton County, Camden Tennessee, internal control over financial reporting and compliance.

Alexander Thompson Arnold PLLC
Certified Public Accountants
Jackson, Tennessee
February 10, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Industrial Development Board of the County of Benton (the Board), we offer readers of the Board's financial statements this narrative overview and analysis of the financial activities of the Board for the fiscal year ended June 30, 2013. All amounts, unless otherwise indicated, are expressed in actual dollars. Comparative analyses of key elements of the governmental fund has been provided

FINANCIAL HIGHLIGHTS

Management believes the Board's financial condition is strong. The Board is well within its more stringent financial policies and guidelines set by the Board and management. The following are key financial highlights.

- Total assets at year-end were $198,730 and exceeded liabilities in the amount of $198,730 (i.e. net position).
- Net position decreased $5,633 during the current year.
- Operating revenues were $602,535, an increase over year 2012 in the amount of $598,265 or 14,010%.
- Operating expenses were $608,168, an increase from year 2012 in the amount of $394,064 or 184%.
- The operating loss for the year was $5,633 as compared to a $209,834 loss during the 2012 fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the District's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Board's strategic plan, budget, bond resolutions and other management tools were used for this analysis. The Financial Statements are made up of four sections: 1) the introductory section, 2) the financial section, 3) other supplementary information section, and 4) the internal control and compliance section. The introductory section includes the Board's directory. The financial section includes the MD&A, the independent auditor's report, and the financial statements with accompanying notes, and the other supplementary information section includes selected additional financial information. The internal control and compliance section includes the report on internal control and compliance.

REQUIRED FINANCIAL STATEMENTS

Due to the Board being a single governmental fund entity, a consolidated format has been used to present the fund statements and the government-wide statements with the reconciliation included as an additional column. The following statements are included in the financial statements of the Board:

The Statement of Net Position and Governmental Fund Balance Sheet includes all of the Board's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Board's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the Board.

The Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance presents the results of the governmental activities over the course of the fiscal year and information as to how the net position and fund balances changed during the year. All changes in net position and fund balances are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement measures the success of the Board's operations and can be used to determine whether the Board has successfully recovered all of its costs. This statement also measures the Board's profitability and credit worthiness.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Board's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

Statement of Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets exceeded liabilities by $198,730 at the close of the most recent fiscal year.

Table 1
CONDENSED STATEMENT OF NET POSITION

	June 30, 2013	June 30, 2012	Increase (Decrease) $	Increase (Decrease) %
Current and other assets	$ 193,730	$ 199,363	$ (5,633)	-2.83%
Capital assets (net of accumulated depreciation)	5,000	5,000	-	-
Total assets	198,730	204,363	(5,633)	-2.76%
Investment in capital assets	5,000	5,000	-	-
Unrestricted	193,730	199,363	(5,633)	-2.83%
Total net position	$ 198,730	$ 204,363	$ (5,633)	-2.76%
Total net position restated	$ 198,730	$ 204,363	$ (5,633)	-2.76%

During the period, the Board's net assets decreased by $5,633. This was due primarily due to allocated funds to the Jones Plastic Expansion from the Boards investment activities.

Statement of Activities – Expenses in the governmental activities column exceeded revenues by $5,633. Expenses increased during the year due to the Jones Plastic Expansion project.

Table 2
CONDENSED STATEMENT OF ACTIVITIES

	June 30, 2013	June 30, 2012	Increase (Decrease) $	Increase (Decrease) %
Operating revenues	$ 602,535	$ 4,270	$ 598,265	14010.89%
Operating expenses	608,168	214,104	394,064	184.05%
Change in net position	(5,633)	(209,834)	204,201	-97.32%
Beginning net position	204,363	414,197	(209,834)	1.22%
Ending net position	$ 198,730	$ 204,363	$ (5,633)	1.33%

Operating revenues increased by $599,465 during the current year. The majority of this increase is due to grant funds received from the State of Tennessee for the Jones Plastic Expansion project. Operating expenses increased due to allocating funds to the Jones Plastic Expansion.

COMMENTS ON FUND FINANCIAL STATEMENTS

Governmental fund – The focus of the Board's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financing requirements.

In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Revenues in the general fund increased by $598,265 in 2013. The most significant changes in revenues and other financing sources in the general fund were:

- Grant funds received in the amount of $600,000

Expenditures in the general fund increased from last year by approximately $394,064. The most significant changes in expenditures and other financing uses in the general fund were:

- The Industrial Board received grant funds to aid in the expenditures associated with the Jones Industrial Expansion project.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – At the end of the fiscal year, the Board had invested $5,000 in land. The Board does not currently own any capital assets that are required to be depreciated.

Long-term debt – The Board currently does not have any debt obligations.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Board's finances for citizens, taxpayers, customers, investors, creditors, and all others with an interest in the Board's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Industrial Development Board of the County of Benton, P.O. Box 292, Camden, TN 38320.

INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF BENTON
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2013

	General Fund Balance Sheet	Adjustments (Note 3A)	Statement of Net Assets
Assets			
Cash	$ 40,523	$ -	$ 40,523
Accounts receivable	1,800	-	1,800
Interest receivable	157	-	157
Investment	151,250	-	151,250
Capital assets (not being depreciated):			
Land	-	5,000	5,000
Total assets	193,730	5,000	198,730
LIABILITIES			
Deferred revenue	1,800	(1,800)	-
Total liabilities	1,800	(1,800)	-
Fund balance			
Unassigned	191,930	(191,930)	-
Total liabilities and fund balance	$ 193,730	(193,730)	-
Fund balance/net position			
Investment in capital assets		5,000	5,000
Unrestricted		193,730	193,730
Total fund balance/net position		**$ 198,730**	**$ 198,730**

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

INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF BENTON
STATEMENT OF ACTIVITES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2013

	General Fund	Adjustments	Statement of Activities
Revenues			
Interest income	$ 1,335	$ -	$ 1,335
Rent income	2,400	(1,200)	1,200
Grant income	600,000	-	600,000
Total revenues	603,735	(1,200)	602,535
Expenditures/expenses			
Licensing and fees	20	-	20
Accounting and auditing services	2,130	-	2,130
Jones plastic project	606,018	-	606,018
Total expenditures/expenses	608,168	-	608,168
Excess (deficiency) of revenues over (under) expenditures/expenses	(4,433)	(1,200)	(5,633)
Net changes in fund balance/net position	**(4,433)**	**(1,200)**	**(5,633)**
Net position - beginning of year	199,363	5,000	204,363
Prior Period Adjustment	(3,000)	3,000	-
Net position - beginning of year restated	196,363	8,000	204,363
Net position - end of year	$ 191,930	$ 6,800	$ 198,730

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Industrial Development Board of the County of Benton (the Board) is an industrial development board with responsibility for acquiring and developing land for industrial development in Benton County, Tennessee.

In evaluating how to define the Benton County Industrial Development Board, financial reporting purposes management have considered the criteria set forth by the Governmental Accounting Standards Board (GASB), based on the criteria, set forth by GASB there are no component units of the Benton County Industrial Development Board. However, the Benton County Industrial Development Board is a component unit of Benton County, because the significance of their operational or financial relationship with the County..

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net postion and the statement of activities and the governmental funds financial statements (i.e., the balance sheet and the statement of revenues, expenditures, and changes in fund balances) have been consolidated into one report. The adjustments from the fund financial statements to the government-wide statements have been consolidated into the middle column of the reports for simplicity.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 government considers revenues to be available if they are collected within thirty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The above referenced financial statements have been combined into one statement due to the fact that the Board is a single fund governmental unit.

The Board complies with accounting principles generally accepted in the United States of America (GAAP). GAAP includes all applicable GASB pronouncements.

D. Assets and Liabilities

Deposits and Investments
Cash consists of currency on hand and demand deposits with financial institutions. Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near maturity that there is insignificant risk of changes in value because of changes in interest rates. Only investments with maturities of less than three months at the time of purchase are considered cash equivalents.

Capital Assets
Property, plant and equipment are stated at original cost. Maintenance, repairs, and minor renewals are expensed as incurred. When units are retired the original cost and related accumulated depreciation are removed from the books.

Depreciation of the capital assets is computed by the straight-line method over the estimated useful lives (5 to 15 years) of the various assets.

The Board currently has no assets being depreciated.

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 governmental unit, it is not subject to income taxes and no amount for taxes has been recorded in the accompanying statements.

Land
On occasion Benton County 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 government-unit wide Statement of Net Assets of the Industrial Development Board are stated at the lower of the County's cost or market value at the time of transfer.

Equity
In accordance with GASB No. 54, fund balances are classified as follows:

Nonspendable: Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted: Amounts that can be spent only for specific purpose because of state or federal laws, or externally imposed conditions by grantors or creditors.

Committed: Amounts that can be used only for specific purposes determined by formal action by the Board of Directors: resolution. To be reported as committed, amounts cannot be used for any other purposes unless Benton Industrial Board takes the same highest level of action to remove or change the constraint.

Assigned: Amounts the Board intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates authority. The Board has not currently designated anyone with that authority.

Unassigned: Amounts that are available to be spent for any purpose.

Impact of recently issued accounting pronouncements
In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in non-governmental pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 had no impact on the District's financial statements. In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows and inflows of resources, which

are distinct from assets and liabilities, and also renames as net position , rather than net assets, the residual of all other elements presented in a statement of financial position. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011. As of June 30, 2013, the Board had no deferred outflows but did have $1,800 of deferred inflows as a result of rent.

Net position flow assumption
Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Board does not adopt a formal budget at this time.

NOTE 3 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Differences between the Governmental Fund Balance Sheet and the Statement of Net Assets

Adjustments to the balance sheet of governmental funds to the statement of net assets include the following item:

When capital assets (land) that are to be used in governmental activities are purchased, the costs of those assets are reported as expenditures in the governmental funds. However, the statement of net assets includes those capital assets among the assets of the Industrial Development Board of the County of Benton as a whole.

Cost of capital assets	$ 5,000
Accumulated depreciation	-
	$ 5,000

NOTE 4 – DEPOSITS AND CUSTODIAL CREDIT RISK

Custodial Credit Risk
The Board's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statute required that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Board's agent in the Board's name, or by the treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2013, all bank deposits were fully collateralized or insured.

NOTE 5 – RISK MANAGMENT

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

NOTE 7 – RENT RECEIVABLE

As disclosed in Note 8, below, a company entered into a lease with the Board in March 1962 (amended June 1986) for an initial term of 25 years with the option to renew or extend the lease for a period of up to 74 additional years. The rental payments during the first 25 years of the lease consisted of the principal and interest requirements to retire the conduit debt issued on the company's behalf. The conduit debt has been retired. The rental payment required annually for each of the additional 74 years, if extended, is $1,200. The rent receivable for the year ended June 30, 2013, is $1,800. The Board believes the entire amount is collectible.

NOTE 8 – CONDUIT DEBT

Conduit debt is a means by which a governmental entity may lend its name and tax exempt status to private companies providing them with access to the tax-exempt bond market. In return, the governmental entity may receive such benefits as an increased tax base, lower unemployment, etc. Conduit debt when issued is not an indebtedness of the governmental entity but of the entities for whom the debt was issued and is payable only by those entities.

In all current and past agreements, the Board entered into long-term leases with the applicable companies who agreed to pay as rent the principal and interest required to retire the bonds. All the lease agreements contain options to purchase the properties for nominal amounts after the initial bond/rent requirements have been met. Currently, the Board has one agreement that is still active

- In 1962, the Board issued industrial development revenue bonds in the amount of $675,000 for the purpose of acquiring and developing property and constructing a building for industrial purposes. The company occupying this site has fulfilled its obligation and the bonds have been repaid. However, the company has not yet exercised its right to purchase the property for the sum of $1.00. Since the company has not exercised its right to purchase the property, it is obligated to pay the Board annual rent of $1,200.

In August 2001, the board authorized the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County to issue its Tax-Exempt Adjustable Mode Exempt Facilities Revenue Bonds (Waste Management, Inc. of Tennessee Project) Series 2001, in an aggregate principal amount not to exceed $10,325,000. The Board was required to approve the issuance since approximately $3,100,000 will be used for improving, acquiring, renovating, constructing, and equipping the solid waste facility in Benton County, Tennessee. This bond issuance is considered conduit debt of the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County and not of the Industrial Development Board of the County of Benton. For more detailed information relating to this conduit debt issuance, you should refer to the annual report of the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County.

NOTE 9 – PROPERTY AND EQUIPMENT

Changes in property and equipment for the period ended June 30, 2013, were:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Land	$ 5,000	$ -	$ -	$ 5,000
Total	$ 5,000	$ -	$ -	$ 5,000

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

INDUSTRIAL DEVELOPMENT BOARD OF THE CONTY OF BENTON
SCHEDULE OF STATE FINANCIAL ASSISTANCE
June 30, 2013

Department/Program Title	Agency or Pass-through Number	Balance 7/1/12	Cash Receipts	Expenditures/ Amount Earned/ Amount Issued	Unearned (Receivable) 6/30/13
Department of Economic and Community Development					
Jones Plastic building expansion	33006-62312	$ -	$ 600,000	$ 600,000	$ -
Total Department of Economic and Community Development		-	600,000	600,000	-
Total Awards		$ -	$ 600,000	$ 600,000	$ -

Note: The above schedule of state financial assistance is prepared on the modified accrual basis of accounting.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE SECTION

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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*

Board of Directors
Industrial Development Board of the County of Benton
Camden, Tennessee

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 major fund of the Industrial Development Board of the County of Benton (the Board), Camden, Tennessee as of and for the year ended June 30, 2013, and the related noted to the financial statements, which collectively comprise the Board's basic financial statements, and have issued out report thereon dated February 10, 2014.

Internal Control over Financial Reporting

In planning and performing out 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 purposes of expressing out opinions on the financial statements, but not for the purpose of expressing an 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 a certain deficiency in internal control, described in the accompanying schedule of findings as item 09-01 that we consider to be a significant deficiency.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

We noted a certain matter that we reported to management of the Board in a separate letter dated February 10, 2014.

Response to Findings

The Board's responses to the finings identified in our audit are described in the accompanying schedule of findings. The Board's responses 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control 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.

Alexander Thompson Arnold PLLC

Certified Public Accountants
Jackson, Tennessee
February 10, 2014

INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF BENTON
SCHEDULE OF FINDINGS
June 30, 2013

Financial Statement of Findings

Current Year Findings:

09-01 Separation of Duties (Significant Deficiency)

Condition: The Board only has one staff person that is responsible for all aspects of the accounting functions.

Criteria: Proper separation of duties involves separating the functions of recording transactions, posting to the general ledger, and reconciling general ledger accounts.

Effect: When accounting functions are not adequately separated, the risk of errors and irregularities occurring and not being detected in a timely manner increases.

Recommendation: Controls should be used to insure some separation of the cash, record keeping, and reconciliation procedures for all areas of the internal control system.

Management Response: Due to the size of the Board, it is not economically feasible to hire additional staff at this time.

Prior Year Findings

09-01 Separation of Duties (Significant Deficiency) (Repeated)