THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE

Financial Statements and
Supplementary Information

Year Ended June 30, 2013

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THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Officers and Board Members
Year Ended June 30, 2013

OFFICERS

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

BOARD MEMBERS

David Webb	Chairman
Tommy Thompson	Vice Chairman
Jerry Stephens	Secretary/Treasurer

OTHER BOARD MEMBERS

Bob Kite	Jane Long
Teddy Haywood	James Owens
Jim Palmer	Jim Gann

Industrial Development Board of the County
of Roane, Tennessee

To the County Executive,
Members of the Board of Commissioners,
Board of Directors, and Citizens of
Roane County, Tennessee

Annual Financial Report

The annual financial report of the Industrial Development Board of the County of Roane, Tennessee (the "Board"), (a component unit of the Roane County Government) for the fiscal year ended June 30, 2013, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Board's management. To the best of our acknowledgement and belief, the enclosed data is accurate and all disclosures necessary to enable the reader to gain an understanding of the Board's financial activities have been included.

The annual financial report is presented in two sections: introductory and financial. The introductory section includes this transmittal letter and list of official management and board members. The financial section includes the report of the independent auditor, the management discussion and analysis, the basic financial statements, and supplementary information.

The Board is governed by a nine (9) member board of directors. The purpose of the Board is to promote industrial development, provide additional job opportunities in Roane County, Tennessee.

Fund Descriptions

The accounts of the Board are organized on the basis of funds, each of which is considered a separate accounting entity. The operation of the funds is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and, as applicable, expenditures and expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with special regulations, restrictions, or limitations. The funds by the Board are as follows:

Governmental funds: These funds are used to account for the programs and activities of the governmental functions of the Board.

General fund: This fund serves as the general operating fund of the Board. It is used to account for all financial resources of the Board.

Risk Management

The Board acquires commercial insurance for the risk of losses to which it is exposed. These risks include general liability and property and casualty.

Cash Management

As of the year ended June 30, 2013, the Board had approximately $665,000 in bank accounts and certificates of deposit.

Respectively submitted,

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

• Certified Public Accountants
• Business Advisors

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608 Mabry Hood Road
Knoxville, TN 37932

RODEFER MOSS & CO, PLLC

Independent Auditors' Report

To the Industrial Development Board
of the County of Roane, Tennessee
Kingston, Tennessee 37763

We have audited the accompanying financial statements of the Industrial Development Board of the County of Roane, Tennessee (the "Board"), (a component unit of the Roane County Government), as of and for the year ended June 30, 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.

Auditors' 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. 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 Board'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 Board as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Board early implemented Governmental Accounting Standards Board's statement 65. Our opinion is not modified with respect to that matter.

Correction of Error

As described in Note 10 to the financial statements, management noted that deposits held by the Board for land sales were incorrectly recorded as a long-term liability in the financial statements. These deposits should have been recorded as revenue once the land sales were completed in prior years and as a result, an adjustment of $138,175 was recorded to correct beginning net position as of July 1, 2012. Our opinion is not modified in respect to that matter.

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 6-9 and 21 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 operations, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our 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.

Rodefer Moss & Co, PLLC

Knoxville, Tennessee
September 19, 2013

As management of the Industrial Development Board of Roane County, Tennessee (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.

Financial Highlights

- Assets of the Board exceeded its liabilities at June 30, 2013 by $6,370,824
- The Board's net position decreased by $30,509 from July 1, 2012 to June 30, 2013.
- Capital assets decreased by $205,103, net of depreciation. The decrease is due to prior period adjustment for legal and start-up costs in the current year.

Overview of the Financial Statements

This narrative discussion and analysis is intended to serve as an introduction to the Board's financial statements for the fiscal year ended June 30, 2013. The information presented here should be read in conjunction with the financial statements, footnotes, and supplementary information found in this report.

The Board is structured as a non-profit corporation and is a component unit of the Roane County government. The financial statements are prepared on the modified accrual basis of accounting. Therefore, revenues are recognized when they are both measurable and available. Expenditures are recognized when the related liability is incurred.

Following the management's discussion and analysis are the financial statements of the Board. This information, taken collectively, is designed to provide the reader with an understanding of the Board's finances.

The Statement of Net Position presents information on all of the Board's assets, liabilities and net position. Over time, increases or decreases in net position may serve as a useful indicator of the Board's financial position.

The Statement of Activities presents information that focuses on the sustainability of the Board as an entity and the changes in the Board's net position from the current fiscal year's activities.

Financial Position

Total current assets as of June 30, 2013 increased by $227,759 compared to June 30, 2012. The increase was mainly due to certificates of deposit that will mature within one year after June 30, 2013.

Capital assets as of June 30, 2013 decreased by $205,103, net of depreciation, compared to June 30, 2012.

Other assets as of June 30, 2013 decreased $161,686, compared to June 30, 2012. The decrease was due to certificate of deposits that were previously classified as non-current, now classified as current as of June 30, 2013.

Capital Assets

The Board's investment in capital assets as of June 30, 2013 and 2012 is noted in the following table:

	2013	2012
Capital assets not being depreciated		
Land and improvements	$ 5,657,629	$ 5,646,743
Legal & start up costs	-	213,577
Total capital assxets not being depreciated	$ 5,657,629	$ 5,860,320
Capital assets being depreciated		
Buildings and improvements	115,259	115,259
Furniture and fixtures	7,000	7,000
Office equipment	249	249
Less: accumulated depreciation	(21,681)	(19,269)
Total capital assets being depreciated, net	100,827	103,239
Capital assets, net	$ 5,758,456	$ 5,963,559

Total liabilities increased by $29,654 as of June 30, 2013, compared to June 30, 2012. The increase is primarily due to an increase in expenditures in June 2013 that were paid on behalf of the Board by the Roane Alliance, Inc. and which must be reimbursed to Roane Alliance, Inc. by the Board in the following month.

Long term liabilities decreased $138,175 as of June 30, 2013, compared to June 30, 2012. The decrease is a result of deferred revenue for deposits on land sales not being recognized in revenue in the correct accounting period. See Note 10 in the financial statements for additional information.

A portion of the Board's net position (92% at June 30, 2013 and 2012) represents an investment in capital assets. The Board uses these assets to provide services to existing and future industries, and these assets are net of related debt.

At the end of the current and previous fiscal years, the Board reported positive balances in all categories of net position.

During the year ended June 30, 2013, management determined the Board had $213,557 of legal and start-up costs that were originally capitalized as part of the land purchase. Due to the implementation of GASB 65 during the fiscal year, the entire amount now has to be recognized as an expense in the year that it was incurred. As a result, an entry was made to remove this amount from fixed assets and adjust beginning net position for this amount.

The change in assets, liabilities, and net position for the fiscal year ending June 30, 2013 compared to June 30, 2012 is as follows:

	Fiscal year ending 6/30/13	Fiscal year ending 6/30/12	Increase (Decrease)
Assets			
Capital assets	$ 5,758,456	$ 5,963,559	$ (205,103)
Current assets	664,973	437,214	227,759
Other assets	21,242	182,928	(161,686)
Total assets	$ 6,444,671	$ 6,583,701	$ (139,030)
Liabilities			
Current liabilities	$ 73,847	$ 44,193	$ 29,654
Long-term liabilities	-	138,175	(138,175)
Total liabilities	73,847	182,368	(108,521)
Net position			
Invested in capital assets, net of related debt	5,758,456	5,963,559	(205,103)
Unrestricted	612,368	437,774	174,594
Total net position	6,370,824	6,401,333	(30,509)
Total liabilities and net position	$ 6,444,671	$ 6,583,701	$ (139,030)

Revenues, Expenses and Changes in Net Position

Revenues

Revenues in the fiscal year ending June 30, 2013 decreased by $109,932 due to a reduction in improvements paid by Roane County on behalf of the Board and a reduction in PILOT revenue. PILOT revenue decreased due to a decline in PILOT applications and closing fess in fiscal year 2013.

Expenses

Expenses in fiscal year 2013 decreased by $272,806, when compared to fiscal year 2012. The decrease is due primarily to a decrease in expenses due to land sales, improvements and legal and professional fees expenditures in the current fiscal year.

Transfers to Roane decreased $567,000 in fiscal year 2013 when compared to fiscal year 2012. Land sale proceeds are to be remitted to the Roane County government. The decrease in fiscal year 2013 is due to no land sales occurring during the year compared to fiscal year 2012 when there were two (2) land sales.

Summary of Changes in Net Position

A summarized comparison of the changes in net position for fiscal years 2013 and 2012 is shown below:

	Fiscal year ending 6/30/13	Fiscal year ending 6/30/12	Increase (Decrease)
General revenues, by major source			
Intergovernmental receipts	$ 400,636	$ 478,416	$ (77,780)
PILOT program	7,500	29,587	(22,087)
Reimbursed expenses	5,712	14,130	(8,418)
Interest income	1,057	2,454	(1,397)
Miscellaneous revenue	100	350	(250)
Total general revenues	415,005	524,937	(109,932)
Expenses			
Other expenses	370,112	642,918	(272,806)
Transfers to Roane County	-	567,500	(567,500)
Total expenses	370,112	1,210,418	(840,306)
Change in net position	$ 44,893	$ (685,481)	$ 730,374

Future Outlook

The activity level of industrial prospects has continued to be sporadic in 2013 with the slowness of the economic recovery. Inquiries from small to medium sized industries remain low, with the worst period being during the spring of 2009. However, interest from large industries, including international companies, has been increasing, particularly from the auto sector since the Roane VW project announcement. We have received certification with a "Plus" designation for one of our prime industrial sites and are in the process of certifying another prime industrial site through the State of Tennessee Select Tennessee site certification program. Our focus for 2013-2014 is to continue to position ourselves to take advantage of the publicity we received from the Volkswagen project.

Requests for Information

This financial report is designed to provide a general overview of the Board's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Industrial Development Board of the County of Roane, Tennessee, 1209 N. Kentucky Street, Kingston, Tennessee 37763.

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Statement of Net Position
June 30, 2013

ASSETS		
Current Assets		
Cash	$ 472,607	
Certificates of deposit	192,366	
Total current assets		$ 664,973
Capital Assets		
Land and other non-depreciable assets	5,657,629	
Other capital assets, net	100,827	
Total capital assets		5,758,456
Other Assets		
Due from Roane Alliance, Inc.		21,242
Total assets		$ 6,444,671
LIABILITIES		
Current Liabilities		
Due to Roane Alliance, Inc.	$ 73,847	
Total liabilities		$ 73,847
NET POSITION		
Net investment in capital assets	5,758,456	
Unrestricted	612,368	
Total net position		$ 6,370,824

See notes to financial statements.

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Statement of Activities
Year Ended June 30, 2013

		Program Revenues		Net Revenue (Expense) and Changes in Net Position		
				Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Function/Programs						
Governmental activities	$ 370,112	$ -	$ -	$ (370,112)	$ -	$ (370,112)
Total governmental activities	370,112	-	-	(370,112)	-	(370,112)
General Revenue						
Intergovernmental receipts				400,636	-	400,636
PILOT fees				7,500	-	7,500
Reimbursed expenses				5,712		5,712
Interest income				1,057		1,057
Miscellaneous revenue				100	-	100
Total general revenue				415,005	-	415,005
Change in net position				44,893	-	44,893
Net position at the beginning of the year, as previously stated				6,401,333	-	6,401,333
Prior period adjustments				(75,402)	-	(75,402)
Net position at the beginning of the year, as restated				6,325,931	-	6,325,931
Net position at the end of the year				$ 6,370,824	$ -	$ 6,370,824

See notes to financial statements.

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Balance Sheet - Governmental Fund
June 30, 2013

ASSETS		
Current Assets		
Cash	$ 472,607	
Certificates of deposit	192,366	
Total current assets		$ 664,973
Other Assets		
Due from Roane Alliance, Inc.		21,242
Total assets		$ 686,215
LIABILITIES AND FUND BALANCE		
Current Liabilities		
Due to Roane Alliance	$ 73,847	
Total liabilities		$ 73,847
Fund balance		
Unassigned		612,368
Total liabilities and fund balance		$ 686,215

Reconciliation to the Statement of Net Position

Total fund balance as shown above	$ 612,368
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,758,456
Net position of governmental activities	$ 6,370,824

See notes to financial statements.

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEEE
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Fund
Year Ended June 30, 2013

Revenues		
Intergovernmental receipts	$ 400,636	
PILOT fees	7,500	
Reimbursed expenses	5,712	
Interest income	1,057	
Miscellaneous revenue	100	
Total revenues		$ 415,005
Expenditures		
Payroll and benefits	148,210	
Legal and professional	75,351	
Advertising and marketing	63,836	
Repairs and maintenance	47,931	
Rent	12,000	
Travel	11,134	
Improvements	10,886	
Equipment	2,395	
Dues and subscriptions	1,940	
Utilities	1,547	
Office	1,433	
Postage and printing	682	
Miscellaneous	633	
PILOT program	608	
Total expenditures		378,586
Net change in fund balance		36,419
Fund balance at the beginning of the year, as previously stated		437,774
Prior period adjustments		138,175
Fund balance at the beginning of the year, as restated		575,949
Fund balance at the end of the year		$ 612,368

See notes to financial statements.

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Fund (Continued)
Year Ended June 30, 2013

Reconciliation to the Statement of Activities

Net change in fund balance	$	36,419
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital assets reported as capital outlay in governmental fund statements		10,886
Depreciation expense reported in the statement of activities		(2,412)
		8,474
Change in net position of governmental activities	$	44,893

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Entity - The Industrial Development Board of the County of Roane, Tennessee (the "Board") is a non-profit corporation. It is incorporated under the provisions of the State of Tennessee, and is a component unit of the Roane County (the "County") government and receives funding from various county funds. The function of the Board is to attract and promote new industry for the County.

Members of the Board are appointed by the County Commission. In addition, the majority of the funding for the Board is provided by the County. The Board is held responsible by the County for fiscal and operational matters. The County can exercise oversight, as it deems necessary.

Financial Reporting Entity - The Board is a component unit of the Roane County government, the primary government. It is made up of nine members appointed by the Roane County Commissioners of the primary government. The Board's relationship with the primary government is that the Board acts as a conduit for industrial development.

These financial statements present only the assets, liabilities, fund balance, and results of operations of the Industrial Board. They are not intended to present the assets, liabilities, fund balances and results of operations of the County of Roane, Tennessee.

Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Basic Financial Statements - Government-Wide Statements - The Board's basic financial statements include both government-wide (reporting the Board as a whole) and fund financial statements (reporting the Board's major fund).

In the government-wide Statement of Net Position, the governmental activities are presented on a consolidated basis and are reported on the full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Board's net position are reported in two parts - invested in capital assets, net of related debt, and unrestricted net position, as applicable. When both unrestricted and restricted fund resources are available for use, it is the Board's policy to use restricted resources first.

The government-wide Statement of Activities reports both the gross and net costs of the Board's function. The function is also supported by the general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues. Program revenues must be directly associated with the function. Program revenues include 1) charges to customers who use or directly benefit from goods, services, or privileges provided by a given function or program and 2) grants and contributions for operational or capital requirements of a particular function or program. Other items not identifiable with a program are reported as general revenues.

This government-wide focus is more on the sustainability of the Board as an entity and the changes in the Board's net position resulting from the current year's activities.

Accrual - Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

Basic Financial Statements - Fund Financial Statements - The financial transactions of the Board are reported in the general fund in the fund financial statements. The fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund is reported by generic classification within the financial statements.

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

The following fund types are used by the Board:

Governmental Fund - The focus of the governmental fund measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of the financial resources) rather than upon net income.

General Fund - The General Fund is the general operating fund of the Board. All financial resources are accounted for in the General Fund.

Modified Accrual - The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid sick pay, which is not accrued; and (2) principal and interest on general obligation long-term debt, which is recognized when due.

Budgets and Budgetary Accounting - The Board follows these procedures in establishing the budgetary data reflected in the financial statements:

- Formal budgetary integration is employed as a management control device during the year for the General Fund. The budget is adopted on a basis consistent with generally accepted accounting principles.

Net Position Classifications

Government-Wide Statements

Net positions are classified into two components as defined below:

- Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- Unrestricted net position - all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements

The categories of fund balances are explained below:

- *Non-spendable* fund balance includes amounts that cannot be spent because they are either not in spendable form (i.e., inventories) or legally or contractually required to be maintained intact (the corpus of a permanent fund). Non-spendable fund balance also includes the long-term portion of loans and notes receivable and property acquired for resale.

- *Restricted* fund balances have constraints imposed by grantors, creditors, contributors, laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

- *Committed* fund balances result when the government's governing body imposes constraints through formal action of that body. Committed amounts cannot be used for any other purpose unless the government removes the constraint using the same type of action that was used to commit those amounts.

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

Net Position Classifications (Continued)

- *Assigned* fund balances are constrained by the government's intent for those assigned amounts to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by the governing body, a body to which the governing body has delegated authority (i.e., a budget or finance committee), or an official that the governing body has designated.

- *Unassigned* fund balances are any residual balances remaining after all of the other categories of fund balance have been determined is categorized as unassigned fund balance.

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 2989 FASB and AICA Pronouncements*, was issued in December 2010 and superseded GASB Statement No. 20. This statement incorporates FASB, APB and ARB pronouncements, not conflicting with GASB pronouncements, and issued on or before November 30, 1989, into the GASB authoritative literature.

Cash and Cash Equivalents - The Board considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivable consist primarily of amounts due from a related party. Amounts are reconciled monthly and assessed for collectability. Management does not believe an allowance for doubtful accounts is needed at June 30, 2013.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Other Assets - Other assets consist of a receivable from Roane Alliance, Inc. As this is a receivable from a related party, management believes it is 100% collectible.

Capital Assets - Capital assets, which include property, plant and equipment assets, are reported in the government-wide financial statements. Capital assets are defined by the Board as assets with an initial cost of more than $1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Water tanks / waterlines	40 Years
Furniture and fixtures	10 Years
Equipment	5 Years

Compensated Absences - Compensated absences are earned at a rate of one day per month for both sick leave and vacation time. Upon termination or retirement, all accumulated time is forfeited. On October 1, 2000, the employees of the Board became employees of the Community Development Council, Inc., which changed its name in June 2001, to The Roane Alliance, Inc. Therefore, no accrual for compensated absences has been reflected in the financial statements.

Reclassifications - Certain reclassifications have been made to the prior years financial statement presentation to correspond to the current years format. Total fund balance, net position, and changes in fund balance and net position were not affected due to these reclassifications.

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

Land Sale Deposits – Land sale deposits are received on land sales made by the Board. The proceeds from the land sale deposits are used by the Board to help defray initial legal and survey costs associated with the sales. The Board then submits the remaining proceeds from the land sales to the Roane County government.

New Accounting Pronouncements - For fiscal year 2013, the Board implemented GASB Statements No. 63 and 65. Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows and inflows of resources, originally introduced and defined in GASB Concepts Statements No. 4, Elements of Financial Statements, as a consumption of net position applicable to future reporting period and an acquisition of net position applicable to a future reporting period, respectively. Further, Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position.

Statement No. 65, *Items Previously Reported as Assets and Liabilities* reclassifies and recognizes certain items that were formerly reported as assets and liabilities as one of four financial statement elements:

- Deferred outflows of resources
- Outflows of resources
- Deferred inflows of resources
- Inflows of resources

Concepts Statement No. 4 requires that deferred outflows and deferred inflows be recognized only in those instances specifically identified in GASB pronouncements.

During the year ended June 30, 2013, management determined the Board had $213,557 of legal and start up costs that were originally capitalized as part of the land purchase. Due to the implementation of GASB 65 during the fiscal year, the entire amount now has to be recognized as an expense in the year that it was incurred. As a result, an entry was made to remove this amount from fixed assets and adjust beginning net position for this amount.

Date of Management's Review - Management has evaluated subsequent events for recognition or disclosure through September 19, 2013, which is the date the financial statements were issued. No significant events have occurred that would affect the financial statements or footnote disclosures through that date.

NOTE 2 - CONCENTRATION OF CREDIT RISK

As of June 30, 2013, the Board has cash and certificates of deposit balance of $472,607 with Regions Bank, $135,054 with Citizens Bank and $57,312 with First Bank of Tennessee.

Cash is maintained at financial institutions and, at times, balances may exceed federally insured limits. The Board has never experienced any losses related to these balances. Management of the Board does not believe significant credit risk exists at June 30, 2013.

NOTE 3 - LEASE

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

NOTE 4 - LAND LEASE

The Board entered into a lease agreement with Dienamic Tooling Systems, Inc. ("Dienamic") on December 31, 2004. Dienamic paid the Board $26,667 for three years as base rent and $1 a year until December 31, 2021. The lessee has the option to purchase the leased property at any time for $1.

2014	$ 12,000
2015	12,000
2016	12,000
2017	12,000
	$ 48,000

NOTE 5 - RELATED PARTY TRANSACTIONS

Roane County Government is a related party of the Board. Transfers in the amount of $400,636 were received from Roane County Government for operational funding for the fiscal year ending June 30, 2013.

NOTE 6 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Board's risks of loss are covered by a commercial package insurance policy. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 7 - ECONOMIC DEPENDENCY

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 is as follows:

	Balance July 1, 2012	Additions	Disposals	Balance June 30, 2013
Governmental Activities				
Capital assets not being depreciated				
Land	$ 5,646,743	$ 10,886	$ -	$ 5,657,629
Other capital assets				
Furniture and fixtures	7,000	-	-	7,000
Office equipment	249	-	-	249
Improvements	115,259	-	-	115,259
Total other capital assets	122,508	-	-	122,508
Less accumulated depreciation for:				
Furniture and fixtures	(6,650)	(350)	-	(7,000)
Office equipment	(183)	(50)	-	(233)
Improvements	(12,436)	(2,012)	-	(14,448)
Total accumulated depreciation	(19,269)	(2,412)	-	(21,681)
Other capital assets, net	103,239	(2,412)	-	100,827
Governmental activities capital assets, net	$ 5,749,982	$ 8,474	$ -	$ 5,758,456

Depreciation was charged to functions as follows:

Governmental Activities	
General Government	$ 2,412

NOTE 9 - OPERATING AGREEMENT

The Board has entered into a Joint Operating Agreement with the Roane County Chamber of Commerce. The Roane County Commission (Visitor's Bureau), and the Roane County Community Development Council are known as The Roane Alliance, Inc. On October 1, 2001, the Board's employees became employees of the Roane County Community Development Council, who changed their name to The Roane Alliance, Inc. in June 2001. As a result of the Joint Operating Agreement, the Roane Alliance, Inc. receives a portion of the Industrial Board's annual budget to pay the following expenses:

- Salaries
- Payroll tax expense
- Health insurance
- Property and liability insurance
- Expenses related to business recruitment
- Auto expenses for the Industrial Commissioner

Beginning July 1, 2005 the Board changed this agreement and all funds were sent to the Board. The Roane Alliance, Inc. pays the above noted expenses and are billed by the Board for its share.

NOTE 10 - PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2013, management noted that deposits held by the Board for land sales were recorded as a long-term liability in the financial statements. These deposits are non-refundable and should have been recorded as revenue once the land sales were completed. As a result, an adjustment of $138,175 was recorded to beginning net position as of July 1, 2012.

SUPPLEMENTARY INFORMATION

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in
Fund Balance Budgetary Comparison Schedule
Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
General revenue				
Intergovernmental receipts	$ 387,250	$ 387,250	$ 400,636	$ 13,386
PILOT fees	7,500	7,500	7,500	-
Reimbursed expenses	-	-	5,712	5,712
Interest income	-	-	1,057	1,057
Miscellaneous revenue	3,000	3,000	100	(2,900)
Cash reserves	10,000	10,000	-	(10,000)
Grants	2,500	2,500	-	(2,500)
Total general revenues	410,250	410,250	415,005	4,755
Governmental activity expenditures				
Payroll and benefits	181,311	181,311	148,210	33,101
Legal and professional	80,732	80,732	75,351	5,381
Advertising and marketing	60,517	60,517	63,836	(3,319)
Repairs and maintenance	46,561	46,561	47,931	(1,370)
Rent	12,000	12,000	12,000	-
Travel	15,801	15,801	11,134	4,667
Improvements	-	-	10,886	(10,886)
Equipment	2,956	2,956	2,395	561
Dues and subscriptions	1,350	1,350	1,940	(590)
Utilities	1,800	1,800	1,547	253
Office	1,440	1,440	1,433	7
Postage and printing	900	900	682	218
Miscellaneous	3,882	3,882	633	3,249
PILOT program	1,000	1,000	608	392
Total governmental activities expenditures	410,250	410,250	378,586	31,664
Excess expenditures over revenues	-	-	36,419	36,419
Net change in fund balance	-	-	36,419	36,419
Fund balance at the beginning of the year, as previously stated	437,774	437,774	437,774	437,774
Prior period adjustments	-	-	138,175	(138,175)
Fund balance at the beginning of the year, as restated	437,774	437,774	575,949	299,599
Fund balance at the end of the year	$ 437,774	$ 437,774	$ 612,368	$ 336,018

See accompanying independent auditors' report.

• Certified Public Accountants
• Business Advisors

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RODEFER MOSS & CO, PLLC

Independent Auditors' 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*
Rodefer2288

To the Industrial Development Board
of the County of Roane, Tennessee
Kingston, TN 37763

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, financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Industrial Development Board of the County of Roane, Tennessee (the "Board"), (a component unit of the Roane County Government) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 19, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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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.

Rodefer Moss & Co, PLLC

Knoxville, Tennessee
September 19, 2013