

**INDUSTRIAL DEVELOPMENT BOARD OF**

**PERRY COUNTY, TENNESSEE**

Annual Financial Report

For the Year Ended June 30, 2014

# INDUSTRIAL DEVELOPMENT BOARD OF PERRY COUNTY, TENNESSEE

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# Introductory Section

**INDUSTRIAL DEVELOPMENT BOARD OF PERRY COUNTY, TENNESSEE**

**Schedule of Officers**

**June 30, 2014**

<u>Official</u>	<u>Title</u>
Mike Andrews	Chairman
Robby J. Moore	Vice Chairman
Jim Azbill	Secretary
Nelda Hinson	Board Member
Tommy Graham	Board Member
Matt Votaw	Board Member
Derle Hill	Board Member

# Financial Section

**JOHN R. POOLE, CPA**  
**CERTIFIED PUBLIC ACCOUNTANT**

134 NORTHLAKE DRIVE  
HENDERSONVILLE, TN 37075

(615) 822-4177

**Independent Auditor's Report**

Board of Directors  
Industrial Development Board of Perry County, Tennessee  
Linden, Tennessee

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities and the major fund of the Industrial Development Board of Perry County, Tennessee as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Industrial Development 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**

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

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

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

**Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund of the Industrial Development Board of Perry County, Tennessee as of June 30, 2014, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters -Required Supplementary Information**

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

### **Other Matters -Other Information**

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Industrial Development Board of Perry County, Tennessee's basic financial statements. The Introductory Section and the Supplementary Information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Introductory Section and the Supplementary Information have 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 Introductory Section and the Supplementary Information, is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated September 30, 2014 on the consideration of the Board's internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of the testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.

*John R Poole, CPA*

September 30, 2014

# Basic Financial Statements

**INDUSTRIAL DEVELOPMENT BOARD OF PERRY COUNTY, TENNESSEE**

**Statement of Net Position**

**June 30, 2014**

<u>Assets</u>	<u>Total</u>
Cash and cash equivalents	\$20,410
Capital assets, not depreciated	127,737
Capital assets, net of accumulated depreciation	<u>2,922,261</u>
Total Assets	<u><u>\$3,070,408</u></u>
 <u>Liabilities</u>	
Long term debt:	
Due in less than a year	875,744
Due in more than a year	440,933
Total Liabilities	<u>1,316,677</u>
 Net Position:	
Net investment in capital assets	1,733,321
Unrestricted	20,410
Total Net Position	<u><u>\$1,753,731</u></u>

See accompanying notes to financial statements.

**INDUSTRIAL DEVELOPMENT BOARD OF PERRY COUNTY, TENNESSEE**

**Statement of Activities**

**For the Year Ended June 30, 2014**

<u>Function/Programs</u>	Program Revenues		Net (Expenses) Revenue and Changes in Net Position		Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
General government - Industrial Park	178,150	181,500	0	1,184,156	1,184,156
Total Governmental Activities	<u>178,150</u>	<u>181,500</u>	<u>0</u>	<u>1,184,156</u>	<u>1,184,156</u>
General Revenues:					
Donations			5,198	5,198	5,198
Total general revenues			<u>5,198</u>	<u>5,198</u>	<u>5,198</u>
Changes in net position			1,189,354	1,189,354	1,189,354
Net position - beginning of year			564,377	564,377	564,377
Net position - ending of year			<u>1,753,731</u>	<u>1,753,731</u>	<u>1,753,731</u>

See accompanying notes to financial statements.

# Fund Financial Statements

INDUSTRIAL DEVELOPMENT BOARD OF PERRY COUNTY, TENNESSEE

Balance Sheet

General Fund

June 30, 2014

Assets

Cash and cash equivalents	\$20,410
	<hr/>
Total Assets	<u>\$20,410</u>

Liabilities and Fund Balance

Liabilities:

Accounts payable	0
Total Liabilities	<u>0</u>

Fund balance:

Unassigned	20,410
Total Fund Balance	<u>20,410</u>

Total Liabilities and Fund Balance	<u>\$20,410</u>
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The notes accompanying the financial statements are an integral part of these financial statements.

**INDUSTRIAL DEVELOPMENT BOARD OF PERRY COUNTY, TENNESSEE**

**Reconciliation of the Balance Sheet to the Statement of Net Position  
of Government Activities**

**June 30, 2014**

Amounts reported for fund balance - total governmental funds	\$	20,410
Amounts reported for governmental activities in the statement of net position are different because the operating funds do not report:		
Investment in capital assets		3,049,998
Long-term debt		<u>(1,316,677)</u>
Net position of governmental activities	\$	<u><u>1,753,731</u></u>

INDUSTRIAL DEVELOPMENT BOARD OF PERRY COUNTY, TENNESSEE

Governmental Fund  
Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2014

Revenues:	
Rent buildings	\$ 181,500
Donations	5,198
Grants	1,180,806
Total Revenues	<u>1,367,504</u>
Expenditures:	
Professional services	9,232
Repair and maintenance	850
Insurance	5,583
Supplies	8,024
Debt service	326,289
Capital outlay	2,261,941
Total Expenditures	<u>2,611,919</u>
Excess (deficiency) of revenues over expenditures	<u>(1,244,415)</u>
Other financing sources:	
Loan proceeds	<u>662,037</u>
Net change in fund Balance	<u>(582,378)</u>
Fund Balance, Beginning of year	602,788
Fund Balance, End of year	<u>20,410</u>

See accompanying notes to financial statements.

INDUSTRIAL DEVELOPMENT BOARD OF PERRY COUNTY, TENNESSEE

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of Governmental Fund to the Statement of Activities

For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds: \$ (582,378)

Amounts reported for governmental activities in the statement of net position are different because:

Operating 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.

Acquisition of capital assets	2,261,941
Depreciation expense	(104,236)

Revenues and expenses in the operating funds that reduce long-term liabilities are not reported in the statement.

Loan proceeds	(662,037)
Principal payments	<u>276,064</u>

Change in net position of governmental activities \$ 1,189,354

# Notes to Financial Statements

# Industrial Development Board of Perry County, Tennessee

## Notes to Financial Statements

June 30, 2014

### **(1) Summary of Significant Accounting Policies**

#### Reporting Entity:

The Industrial Development Board of Perry County, Tennessee (Board) consists of members appointed by the County. As an agency for the county, the Board has been delegated the authority to develop, operate and maintain industrial sites for the benefit of the community.

The accounting policies of the Industrial Development Board of Perry County, Tennessee conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

#### Government -Wide and Fund Financial Statements

The Government-wide financial statements, the statement of Net Position and the statement of activities report information on all of the financial activities of the Board.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (I) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

#### Measurement Focus and Availability

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers most governmental revenues as available if received within 45 days of years end. Expenditures are recorded generally 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.

# Industrial Development Board of Perry County, Tennessee

## Notes to Financial Statements

June 30, 2014

### **(1) Summary of Significant Accounting Policies, Continued**

#### 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded generally 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 Board reports the following major fund:

General (Operating) Fund - The General (Operating) Fund is the general operating fund of the Industrial Development Board. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

#### Cash and Cash Equivalents

Cash and cash equivalents consist primarily of checking accounts and a money market account. When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted funds are used the Board uses committed, assigned then unassigned funds.

#### Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets consisting of certain improvements other than buildings are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Board as assets with an individual cost of \$5,000 and an estimated useful life in excess of three years. Donated fixed assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

## Industrial Development Board of Perry County, Tennessee

### Notes to Financial Statements

#### (1) Summary of Significant Accounting Policies, Continued

Depreciation is provided over the estimated useful lives using the straight line method.

The estimated useful lives are as follows:

Land improvements	10-15 years
Buildings	25-40 years
Machinery and Equipment	5-10 years

#### Budget and Budgetary Accounting

The Board is not legally required to adopt a budget; therefore, no budget comparison is presented in these financial statements.

#### Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund 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.

#### Estimates

The 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Credit Risk

Financial instruments that potentially subject the Board to significant concentrations of credit risk consist principally of cash and cash equivalents. The Board places its cash with federally-insured financial institutions or institutions participating in the State collateral pool.

#### Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds and are presented in the accompanying financial statements as other assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## Industrial Development Board of Perry County, Tennessee

### Notes to Financial Statements

#### **(1) Summary of Significant Accounting Policies, Continued**

##### Fund Balance

The Board implemented GASB 54 which addresses issues related to how fund balances are reported. Fund balances are now reported in the following manner:

Nonspendable fund balances – amounts that are not in a spendable form, Restricted fund balance – amounts constrained to specific purposes by their providers, provisions, or by enabling legislation, Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint, Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority, Unassigned fund balance – amounts that are available for any purpose; these amounts are reported only in the general fund. Only by Board approval can fund balance amounts be classified as committed or assigned.

#### **(2) Cash and Cash Equivalents**

The Board is authorized to invest funds in Federal treasury bills and notes, State of Tennessee Local Government Investment Pool and financial institution demand deposit accounts and certificates of deposit. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions. The Board has deposit policies to minimize custodial credit risks. The collateral must meet certain requirements and be deposited in an escrow account in a second bank for the benefit of the Board and must total a minimum 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The Board's deposits with financial institutions are fully insured or collateralized by securities held in the Board's name.

#### **(3) Capital Assets**

A summary of changes in general capital assets as presented in the governmental activities column of the government-wide financial statements is as follows:

	Balance			Balance
	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2014</u>
Land	-	127,737	-	127,737
Buildings	480,933	-	-	480,933
Improvements	18,352	2,544,818	-	2,563,170
Construction in progress - building roof	410,614	1,997,168	2,407,782	-
Total	<u>909,899</u>	<u>4,669,723</u>	<u>2,407,782</u>	<u>3,171,840</u>
Accumulated depreciation – buildings	(16,031)			(32,062)
Accumulated depreciation - improvements	<u>(1,575)</u>			<u>(89,780)</u>
Capital assets - net	<u>892,293</u>			<u>3,049,998</u>

Depreciation expenses for the year was \$104,236 - \$16,031 for buildings and \$88,205 for improvements.

## Industrial Development Board of Perry County, Tennessee

### Notes to Financial Statements

June 30, 2014

#### (4) Long Term Debt

A summary of changes in long-term debt as presented in the governmental activities column of the government-wide financial statements is as follows:

	Balance			Balance
	June 30, 2013	Additions	Deletions	June 30, 2014
Montrex building from Perry County	200,000	-	-	200,000
Fisher building from Perry County	40,000	-	40,000	-
Linden drug building from Perry County	240,933	-	-	240,933
Loan from Bank of Perry County	50,100	-	50,100	-
Loan from Bank of Perry County	<u>399,671</u>	<u>662,037</u>	<u>185,964</u>	<u>875,744</u>
Total	<u>930,704</u>	<u>662,037</u>	<u>276,064</u>	<u>1,316,677</u>

Industrial Development Board of Perry County, Tennessee borrowed funds from Perry County, Tennessee to purchase the Montrex, Fisher and Linden drug buildings. Repayment shall be at 0% percent interest and shall be payable from rents and income derived from said properties. Industrial Development Board of Perry County, Tennessee shall repay Perry County, Tennessee as rents are paid to them by the tenants of these buildings until the amounts have been repaid. However, the IDB shall be entitled to hold sufficient funds for maintenance and other normal expenses associated with the ownership of properties during the course of repayment. The Industrial Development Board of Perry County, Tennessee borrowed funds from the Bank of Perry County to assist in financing the construction of a roofing project.

#### (5) Commitments and Contingencies

##### Litigation:

There are no pending lawsuits in which the Board is involved which are significant to the financial statements.

##### Grants:

Amounts received from Grantor agencies are subject to audit and adjustment by Grantor agencies, principally the Federal government. Any disallowed claims including amounts already collected, could become a liability of the applicable fund.

#### (6) Insurance

The Board carries commercial insurance for the majority of risks of loss, including general liability, and property. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

# Supplemental Information

INDUSTRIAL DEVELOPMENT BOARD OF PERRY COUNTY, TENNESSEE

Schedule of Federal Expenditures

June 30, 2014

<u>CFDA#</u>	<u>CFDA#</u>
Industrial Development - 11.300	\$1,180,806
Total General Fund	<u>1,180,806</u>
Total - All funds	<u><u>\$1,180,806</u></u>

**INDUSTRIAL DEVELOPMENT BOARD OF PERRY COUNTY, TENNESSEE**

**Schedule of State and Federal Financial Assistance**

**For the Year Ended June 30, 2014**

CFDA Number	State Grant Number	Program Name	Grantor Agency	Receivable (Deferred) Balance June 30, 2013	Grant Receipts	Reimbursements	Grant Expenditures	Receivable (Deferred) Balance June 30, 2014
<b>Federal Program:</b>								
11.300	N/A	Public Works and Economic Development - Facilities	State of Tennessee Department of Economic and Community Dev. from US Dept. of Commerce	579,194	1,760,000	0	1,180,806	0
		Total Federal Program		579,194	1,760,000	0	1,180,806	0

# Compliance and Internal Control

**JOHN R. POOLE, CPA**  
**CERTIFIED PUBLIC ACCOUNTANT**

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

Board of Directors  
Industrial Development Board of Perry County, Tennessee  
Linden, Tennessee

I have audited the financial statements of the governmental activities and the major fund in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Industrial Development Board of Perry County, Tennessee as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Industrial Development Board of Perry County, Tennessee's basic financial statements, and have issued a report thereon dated September 30, 2014.

**Internal Control Over Financial Reporting**

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

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weakness or significant deficiencies may exist that were not identified. However, as discussed below, I identified a deficiency in internal control that I consider to be a material weakness (2014-001 Lack of segregation of Duties).

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 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. A material weakness is a deficiency, or 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. I consider the deficiency described below (2014-001) to be a material weakness.

The material weakness is as follows:

2014-001 Separation of Duties

Due to the limited number of personnel employed by the Industrial Development Board of Perry County, Tennessee, several functions, which ideally should be performed by different individuals, are regularly performed by one or two persons. I recommend that the Board strengthen its internal control in cash receipts, cash disbursements, and reconciliation of cash.

Management Response:

Due to the size of the office, a complete separation of duties is not possible. However we are continuing to monitor office responsibilities and segregate duties as needed.

**Compliance and Other Matters**

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

**Response to Finding**

The Industrial Development Board of Perry County, Tennessee's response to the finding identified in the audit is described above. The Industrial Development Board of Perry County, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

**Purpose of This Report**

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

*John R Poole, CPA*

September 30, 2014

**JOHN R. POOLE, CPA**  
**CERTIFIED PUBLIC ACCOUNTANT**

134 NORTHLAKE DRIVE  
HENDERSONVILLE, TN 37075

(615) 822-4177

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Board of Directors  
Industrial Development Board of Perry County, Tennessee  
Linden, Tennessee

**Report on Compliance for Each Major Federal Program**

I have audited the Industrial Development Board of Perry County, Tennessee's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal program for the year ended June 30, 2014. The Board's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

My responsibility is to express an opinion on the compliance for each of the Industrial Development Board of Perry County, Tennessee's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted the audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, the audit does not provide a legal determination on the Board's compliance.

**Opinion on Each Major Federal Program**

In my opinion, Industrial Development Board of Perry County, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

**Other Matters**

The results of the auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

**Report on Internal Control Over Compliance**

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing the audit of compliance, I considered the Board’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Board’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with the types of compliance requirements of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Purpose of This Report**

The purpose of this report on internal control over compliance is solely to describe the scope of the testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*John R Poole, CPA*

September 30, 2014

# INDUSTRIAL DEVELOPMENT BOARD OF PERRY COUNTY, TENNESSEE

## Schedule of Findings and Questioned Costs

June 30, 2014

### Section I - Summary of Auditor's Results

#### Financial Statements

The Auditor's Report on the Financial Statements was an unqualified opinion.

Internal control over financial reporting:

Material weakness identified ? Yes. (2014-01 Lack of Segregation of Duties)

Significant deficiencies identified ? None reported

Noncompliance material to financial statements noted ? No.

#### Federal Awards

Internal control over major programs:

Material weakness identified ? No.

Significant deficiencies identified ? None reported

The auditor's report on compliance for major programs was unqualified.

There were no audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133.

The Major Programs were:

Public Works and Economic Development Facilities, CDFA 11.300

Type A programs have been distinguished as those programs with expenditures greater than \$300,000.

The Public Works and Economic Development Facilities, CDFA 11.300 met this threshold.

The Industrial Development Board was not considered to be a low risk auditee.

### Section II - Financial Statement Findings

There was one finding related to the financial statements which is required to be reported in accordance with Government Auditing Standards. (2014-001 Lack of Segregation of Duties)

### Section III - Federal Award Findings and Questioned Costs

There were no findings related to Federal Awards.