

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE

Financial Statements and
Supplementary Information

Year Ended June 30, 2014



THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Financial Statements and Supplementary Information
Year Ended June 30, 2014

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THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Officers and Board Members
Year Ended June 30, 2014

OFFICERS

Wade Creswell

President and CEO (The Roane Alliance, Inc.)

BOARD MEMBERS

Tommy Thompson
David Webb
Jerry Stephens

Chairman
Vice Chairman
Secretary/Treasurer

OTHER BOARD MEMBERS

Bob Kite
Teddy Haywood
Jim Palmer

Jane Long
James Owens
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, 2014, 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 and 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 used 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.

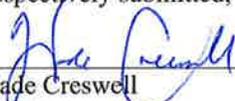
Risk Management

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, 2014, the Board had approximately \$711,000 in bank accounts and certificates of deposit.

Respectively submitted,



Wade Creswell
President and CEO

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund 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, 2014, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable for financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Board as of June 30, 2014, and the respective change in 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6-9 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 for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The budgetary information listed in the table of contents is presented for purposes of additional analysis, and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2014, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



Rodger Moss Co, PLLC

Knoxville, Tennessee
August 28, 2014

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Management's Discussion and Analysis
June 30, 2014

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, 2014.

Financial Highlights

- Assets of the Board exceeded its liabilities at June 30, 2014 by \$6,443,114.
- The Board's net position increased by \$72,290 from July 1, 2013 to June 30, 2014.
- Capital assets decreased by \$8,488, net of depreciation.

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, 2014. 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.

Government-wide Financial Statements

The Board's annual report includes two government-wide financial statements. These statements provide long-term and short-term information about the Board's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the Board-wide statement of financial position, presenting information that includes all of the Board's assets and liabilities with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the board as a whole is improving or deteriorating. Evaluation of the overall economic health of the Board would extend to other nonfinancial factors in addition to the financial information provided in the report.

The second government-wide statement is the *Statement of Activities*, which reports how the Board's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Board's distinct activities or functions on revenues provided by the Board's local governments or grantors.

All of the Board's activities fall within the governmental activities category.

Fund Financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Board uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Board's most significant funds rather than the Board as a whole.

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Management's Discussion and Analysis (Continued)

Overview of the Financial Statements (Continued)

The Board has only governmental funds. Governmental funds are reported in the fund financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Board's governmental fund. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between the two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balance provide a reconciliation to the government-wide statements to assist in understanding the differences between the two perspectives.

Net Position

Total current assets as of June 30, 2014 increased by \$67,342 compared to June 30, 2013. The increase was due to a related party receivable previously classified as non-current, now classified as current as of June 30, 2014.

Capital assets as of June 30, 2014 decreased by \$8,488, net of depreciation, compared to June 30, 2013.

Other assets as of June 30, 2014 decreased \$21,242, compared to June 30, 2013. The decrease was due to a related party receivable previously classified as non-current, now classified as current as of June 30, 2014.

Capital Assets

The Board's investment in capital assets as of June 30, 2014 and 2013 is noted in the following table:

	<u>2014</u>	<u>2013</u>
Capital assets not being depreciated		
Land and improvements	\$ 5,651,170	\$ 5,657,629
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	<u>(23,710)</u>	<u>(21,681)</u>
Total capital assets being depreciated, net	<u>98,798</u>	<u>100,827</u>
Capital assets, net	<u>\$ 5,749,968</u>	<u>\$ 5,758,456</u>

Total liabilities decreased by \$34,678 as of June 30, 2014, compared to June 30, 2013. The decrease is primarily due to a decrease in expenditures in June 2014 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.

A portion of the Board's net position (89% at June 30, 2014 and 92% at June 30, 2013, respectively) 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.

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Management's Discussion and Analysis (Continued)

Net Position (Continued)

The change in assets, liabilities, and net position for the fiscal year ending June 30, 2014 compared to June 30, 2013 is as follows:

	<u>Fiscal year ending 6/30/14</u>	<u>Fiscal year ending 6/30/13</u>	<u>Increase (Decrease)</u>
Assets			
Capital assets, net	\$ 5,749,968	\$ 5,758,456	\$ (8,488)
Current assets	732,315	664,973	67,342
Other assets	-	21,242	(21,242)
Total assets	<u>\$ 6,482,283</u>	<u>\$ 6,444,671</u>	<u>\$ 37,612</u>
 Total liabilities and net position			
Liabilities			
Current liabilities	<u>39,169</u>	<u>73,847</u>	<u>(34,678)</u>
Total liabilities	<u>39,169</u>	<u>73,847</u>	<u>(34,678)</u>
 Net position			
Investment in capital assets	5,749,968	5,758,456	(8,488)
Unrestricted	<u>693,146</u>	<u>612,368</u>	<u>80,778</u>
Total net position	<u>6,443,114</u>	<u>6,370,824</u>	<u>72,290</u>
 Total liabilities and net position	<u>\$ 6,482,283</u>	<u>\$ 6,444,671</u>	<u>\$ 37,612</u>

Revenues, Expenses and Changes in Net Position

Revenues

Revenues in the fiscal year ending June 30, 2014 increased by \$9,070 primarily due to grant revenue received during 2014.

Expenses

Expenses in fiscal year 2014 decreased by \$18,327, when compared to fiscal year 2013. The decrease is due primarily to a decrease in expenses for engineering and legal and professional fees expenditures in the current fiscal year.

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Management's Discussion and Analysis (Continued)

Summary of Changes in Net Position

A summarized comparison of the changes in net position for fiscal years 2014 and 2013 is shown below:

	<u>Fiscal year ending 6/30/14</u>	<u>Fiscal year ending 6/30/13</u>	<u>Increase (Decrease)</u>
General revenues, by major source			
Intergovernmental receipts	\$ 396,881	\$ 400,636	\$ (3,755)
Grant	11,250	-	11,250
PILOT program	7,500	7,500	-
Land sale proceeds	7,500	-	7,500
Reimbursed expenses	-	5,712	(5,712)
Interest income	844	1,057	(213)
Miscellaneous revenue	100	100	-
Total general revenues	<u>424,075</u>	<u>415,005</u>	<u>9,070</u>
 Expenses			
Other expenses	<u>351,785</u>	<u>370,112</u>	<u>(18,327)</u>
 Change in net position	<u>\$ 72,290</u>	<u>\$ 44,893</u>	<u>\$ 27,397</u>

Future Outlook

Through 2013, industrial prospect activity continued to increase. Since March 2014, industrial prospect activity and interest in sites located in Roane County is at an all-time high according to Alliance employees with a long history of industrial recruitment experience in Roane County. Consistently since March, the Board has averaged 2-3 new referrals from different sources on a weekly basis. Sources within TN ECD and TVA indicate that there are backlogs of projects waiting to be issued to economic development organizations such as the Roane Alliance throughout the state.

While we compete globally for those initial prospects, we have had 4-5 significant industrial prospects begin more detailed study of locating within Roane County. Key entities within local government, educational institutions and industry have aligned to give Roane County the best possible chance to be the destination for new, high quality corporations to locate and provide many new economic opportunities for the people of Roane County.

Also, indicative of a turnaround in the economy is the increase in new commercial ventures in the Midtown area of Harriman, and in Kingston. The future outlook for the Board is very positive in the short term with continued positive growth in the long term provided no unforeseen circumstances occur like those that have happened in the last 6 years in the Kingston Fossil Plant ash spill and the Great Recession of 2008.

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, 2014

ASSETS

Current Assets

Cash	\$ 518,105
Certificates of deposit	192,968
Due from Roane Alliance, Inc.	<u>21,242</u>

Total current assets \$ 732,315

Capital Assets

Land and other non-depreciable assets	5,651,170
Other capital assets, net	<u>98,798</u>

Total capital assets, net 5,749,968

Total assets \$ 6,482,283

LIABILITIES

Current Liabilities

Due to Roane Alliance, Inc.	<u>\$ 39,169</u>
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Total liabilities \$ 39,169

NET POSITION

Investment in capital assets	5,749,968
Unrestricted	<u>693,146</u>

Total net position \$ 6,443,114

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Statement of Activities
Year Ended June 30, 2014

Function/Programs	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Governmental activities	\$ 351,785	\$ -	\$ -	\$ (351,785)	\$ -	\$ (351,785)
Total governmental activities	<u>351,785</u>	<u>-</u>	<u>-</u>	<u>(351,785)</u>	<u>-</u>	<u>(351,785)</u>
General Revenue						
Intergovernmental receipts				396,881	-	396,881
Grant				11,250	-	11,250
PILOT fees				7,500	-	7,500
Land sale proceeds				7,500	-	7,500
Interest income				844	-	844
Miscellaneous revenue				100	-	100
Total general revenue				<u>424,075</u>	<u>-</u>	<u>424,075</u>
Change in net position				72,290	-	72,290
Net position at the beginning of the year				<u>6,370,824</u>	<u>-</u>	<u>6,370,824</u>
Net position at the end of the year				<u>\$ 6,443,114</u>	<u>\$ -</u>	<u>\$ 6,443,114</u>

See notes to financial statements.

THE INDUSTRIAL DEVELOPMENT BOARD
 OF THE COUNTY OF ROANE, TENNESSEE
 Balance Sheet - Governmental Fund
 June 30, 2014

ASSETS	
Cash	\$ 518,105
Certificates of deposit	192,968
Due from Roane Alliance, Inc.	<u>21,242</u>
Total assets	<u>\$ 732,315</u>
 LIABILITIES AND FUND BALANCE	
Current Liabilities	
Due to Roane Alliance	<u>\$ 39,169</u>
Total liabilities	\$ 39,169
Fund balance	
Unassigned	<u>693,146</u>
Total liabilities and fund balance	<u>\$ 732,315</u>

Reconciliation to the Statement of Net Position

Total fund balance as shown above	\$ 693,146
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.	<u>5,749,968</u>
Net position of governmental activities	<u>\$ 6,443,114</u>

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, 2014

Revenues	
Intergovernmental receipts	\$ 396,881
Grant	11,250
PILOT fees	7,500
Land sale proceeds	7,500
Interest income	844
Miscellaneous revenue	<u>100</u>
Total revenues	\$ 424,075
Expenditures	
Payroll and benefits	156,680
Advertising and marketing	56,025
Repairs and maintenance	39,388
Legal and professional	39,387
Travel	13,488
Rent	12,000
Improvements	9,631
Intergovernmental transfers	5,000
Equipment	4,178
Utilities	2,640
Office	1,926
Dues and subscriptions	1,334
Miscellaneous	1,003
Postage and printing	<u>617</u>
Total expenditures	<u>343,297</u>
Net change in fund balance	<u>80,778</u>
Fund balance at the beginning of the year	<u>612,368</u>
Fund balance at the end of the year	<u><u>\$ 693,146</u></u>

THE INDUSTRIAL DEVELOPMENT BOARD
 OF THE COUNTY OF ROANE, TENNESSEE
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance
 of Governmental Funds to the Statement of Activities
 Year Ended June 30, 2014

Reconciliation to the Statement of Activities

Net change in fund balance \$ 80,778

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	9,631
Deductions from capital assets	(16,090)
Depreciation expense reported in the statement of activities	<u>(2,029)</u>
	<u>(8,488)</u>

Change in net position of governmental activities \$ 72,290



THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Notes to Financial Statements
June 30, 2014

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, Tennessee (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 governed by a board of nine members appointed by the Roane County Commissioners. 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 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 determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the full accrual basis of accounting and the economic resources “measurement focus”. Governmental funds use the modified accrual basis of accounting.

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 using the economic resources measurement focus and full accrual basis of accounting, 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 - investment in capital assets, 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 operations. The operations are 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 operations. 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 focuses 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 balance, revenues and expenditures/expenses. The fund is reported by generic classification within the financial statements.

INDUSTRIAL DEVELOPMENT BOARD OF
THE COUNTY OF ROANE, TENNESSEE
Notes to Financial Statements (Continued)

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 change in net position.

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 position is classified into two components as defined below:

- 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.

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Notes to Financial Statements (Continued)

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.

The Board follows Governmental Accounting Standards Board (“GASB”) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

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

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.

Due from Roane Alliance, Inc. - The related party receivable 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:

Improvements	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 vacation time (up to a maximum of 80 hours) is paid out; all accumulated sick leave 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.

Date of Management’s Review - Management has evaluated subsequent events for recognition or disclosure through August 28, 2014, 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

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, 2014.

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 3 - LEASE

Beginning July 1, 2012, the Board began paying annual rent, which includes utilities, of \$12,000. This agreement was for a five year period ending December 31, 2017.

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.

NOTE 5 - RELATED PARTY TRANSACTIONS

The County is a related party of the Board. Transfers in the amount of \$387,250 were received from the County for operational funding for the fiscal year ending June 30, 2014.

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 the County and its budget is set annually by the County.

NOTE 8 - 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.

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 is as follows:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2014</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 5,657,629	\$ 9,631	\$ 16,090	\$ 5,651,170
Other capital assets				
Improvements	115,259	-	-	115,259
Furniture and fixtures	7,000	-	-	7,000
Office equipment	249	-	-	249
Total other capital assets	<u>122,508</u>	<u>-</u>	<u>-</u>	<u>122,508</u>
Less accumulated depreciation for:				
Improvements	(14,448)	(2,012)	-	(16,460)
Furniture and fixtures	(7,000)	-	-	(7,000)
Office equipment	(233)	(17)	-	(250)
Total accumulated depreciation	<u>(21,681)</u>	<u>(2,029)</u>	<u>-</u>	<u>(23,710)</u>
Other capital assets, net	<u>100,827</u>	<u>(2,029)</u>	<u>-</u>	<u>98,798</u>
Governmental activities capital assets, net	<u>\$ 5,758,456</u>	<u>\$ 7,602</u>	<u>\$ 16,090</u>	<u>\$ 5,749,968</u>

Depreciation was charged to functions as follows:

Governmental Activities	
General Government	<u>\$ 2,029</u>

During the year ended June 30, 2014, the Board had a land sale totaling \$7,500. The sale had a total land cost of \$16,090.

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, 2014

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
General revenue				
Intergovernmental receipts	\$ 387,250	\$ 387,250	\$ 396,881	\$ 9,631
Grants	2,750	2,750	11,250	8,500
PILOT fees	7,500	7,500	7,500	-
Land sale proceeds	-	-	7,500	7,500
Interest income	-	-	844	844
Miscellaneous revenue	3,000	3,000	100	(2,900)
Total general revenues	<u>400,500</u>	<u>400,500</u>	<u>424,075</u>	<u>23,575</u>
Governmental activity expenditures				
Payroll and benefits	175,093	175,093	156,680	18,413
Advertising and marketing	60,000	60,000	56,025	3,975
Repairs and maintenance	46,561	46,561	39,388	7,173
Legal and professional	79,900	79,900	39,387	40,513
Travel	15,300	15,300	13,488	1,812
Rent	12,000	12,000	12,000	-
Improvements	-	-	9,631	(9,631)
Intergovernmental transfers	-	-	5,000	(5,000)
Equipment	2,456	2,456	4,178	(1,722)
Utilities	1,650	1,650	2,640	(990)
Office	1,440	1,440	1,926	(486)
Dues and subscriptions	1,500	1,500	1,334	166
Miscellaneous	2,750	2,750	1,003	1,747
Postage and printing	800	800	617	183
PILOT program	1,000	1,000	-	1,000
Total governmental activity expenditures	<u>400,450</u>	<u>400,450</u>	<u>343,297</u>	<u>57,153</u>
Excess expenditures over revenues	<u>50</u>	<u>50</u>	<u>80,778</u>	<u>80,728</u>
Net change in fund balance	<u>50</u>	<u>50</u>	<u>80,778</u>	<u>80,728</u>
Fund balance at the beginning of the year	<u>437,774</u>	<u>437,774</u>	<u>612,368</u>	<u>366,018</u>
Fund balance at the end of the year	<u>\$ 437,824</u>	<u>\$ 437,824</u>	<u>\$ 693,146</u>	<u>\$ 446,746</u>

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

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, the financial statements of the governmental activities and major fund 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, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated August 28, 2014.

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*.

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 Board'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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rodger Moss Co, PLLC

Knoxville, Tennessee
August 28, 2014

