

**CLAIBORNE COUNTY ECONOMIC AND  
COMMUNITY DEVELOPMENT BOARD**

**AUDIT REPORT**

**JUNE 30, 2015**

Prepared by:

Dale C. Isabell, CPA

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# **INTRODUCTORY SECTION**

**CLAIBORNE COUNTY ECONOMIC AND  
COMMUNITY DEVELOPMENT BOARD  
MEMBERS**

**BOARD MEMBERS AND OFFICERS**

<i>Chairman:</i>	Rob Barger
<i>Vice Chairman:</i>	Roger Ball
<i>Secretary:</i>	Glenn Fultz

**BOARD MEMBERS**

Eugene Bundren  
Danny England  
Elizabeth Giles  
John Schneider  
Ken Jones  
Eddie Overholt

## **FINANCIAL SECTION**

DALE C. ISABELL  
*Certified Public Accountant*

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
The Claiborne County Economic and  
Community Development Board

**Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities and the General Fund of Claiborne County Economic and Community Development Board (a component unit of Claiborne County, Tennessee) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Claiborne County Economic and Community Development Board's management. My responsibility is to express opinions on these financial statements based on my audit.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 my audit opinion.

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

In accordance with Government Auditing Standards, I have also issued my report dated August 14, 2015, on my consideration of Claiborne County Economic and Community Development Board, internal control over financial reporting and on my 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 my 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 and compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering The Claiborne County Economic and Community Development Board System's control over financial reporting and compliance.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 5 through 7 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### Supplementary and Other Information

My audit was conducted for the purpose of forming opinion on the basic financial statements that collectively comprise Claiborne County Economic and Community Development Board financial statements. The introductory section and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion the other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

## **Unmodified Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of Claiborne County Economic and Community Development Board, as of June 30, 2015, and the changes in financial position thereof for the year ended June 30, 2015 in conformity with accounting principles generally accepted in the United States of America.

*Dale C. Isabell, CPA*

August 14, 2015

**CLAIBORNE COUNTY ECONOMIC  
AND COMMUNITY DEVELOPMENT BOARD  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

This discussion and analysis is intended to be an easily readable analysis of Claiborne County Economic and Community Development Board (Board) financial activities for the year ended June 30, 2015, based on currently known facts, decisions or conditions. This analysis focuses on activities for the period and should be read in conjunction with the financial statements following.

**Report Layout**

Besides this Management's Discussion and Analysis (MD&A), the report consists of government-wide financial statements, fund financial statements, and the notes to the financial statements. Included in the statements are the statement of net position, statement of activities and changes in net position. The Board's activities are all governmental type activities and include basic economic development services and administration. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the Board.

Basic Financial Statements

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets of the Board, the liabilities it owes, and the net difference. The net difference is further separated into amounts invested in capital assets and unrestricted amounts.
- The Statement of Activities focuses on gross and net costs of the Board's programs and the extent to which such programs rely upon general revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by the general revenues.
- Fund financial statements focus separately on governmental funds. Governmental fund statements follow the more traditional presentation of financial statements.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Board's financial condition.

The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior year.

**Board as a Whole**

Government-Wide Financial Statements

A condensed version of the Statement of Net Position follows:

**Net Position at Year-end**

	<u>2015</u>	<u>2014</u>
<b>Assets:</b>		
Cash and investments	\$712,538.92	\$206,835.91
Property Taxes Receivable	115,851.00	113,586.00
Allowance For Uncollected Prop Tax	(3,615.00)	(1,635.00)
Receivables	.00	530,322.21
Notes Receivable Current	.00	1,000.00
Capital assets, net of depreciation	<u>526,291.00</u>	<u>538,962.00</u>
Total assets	<u>\$1,351,065.92</u>	<u>\$1,389,071.12</u>
<b>Liabilities, Deferred Inflow of Resources, and Net Position:</b>		
Current Liabilities	\$ .00	\$ 1,375.00
Long-term liabilities	<u>.00</u>	<u>485,603.00</u>
Total liabilities	<u>.00</u>	<u>486,978.00</u>
<b>Deferred Inflow of Resources:</b>	\$103,609.00	\$105,190.00
<b>Net Position:</b>		
Investment in capital assets	\$526,291.00	\$538,962.00
Unrestricted net position	<u>721,165.92</u>	<u>257,941.12</u>
Total Net Position	<u>\$1,247,456.92</u>	<u>\$796,903.12</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<u>\$1,351,065.92</u>	<u>\$1,389,071.12</u>

The adjusted net position increased \$ 450,553.80 mainly on revenues over expenses.

A condensed version of the Statement of Activities follows:

**For the Period Ended**

	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Program revenues		
Operating grants and contributions	\$ .00	\$ 200,000.00
General Revenue		
Taxes	112,762.01	111,247.39
Donated Land FMV	.00	59,800.00
Gain on Sale of Property	384,024.75	.00
Lease Rentals	12,000.00	12,000.00
Miscellaneous Refunds	2,204.05	.00
Interest Income	<u>6,591.48</u>	<u>13,003.98</u>
Total General Revenues	<u>518,582.29</u>	<u>196,051.37</u>
<b>Expenses</b>		
Economic development	<u>68,028.49</u>	<u>273,775.35</u>
Total Expenses	<u>68,028.49</u>	<u>273,775.35</u>
Change in net position	450,553.80	122,276.02
Prior Period Adjustment	.00	(5,972.14)
Beginning net position	<u>796,903.12</u>	<u>680,599.24</u>
Ending net position	<u>\$1,247,456.92</u>	<u>\$ 796,903.12</u>

## **Financial Analysis of the General Fund**

The General Fund is the chief operating fund of the Board. At the end of the current fiscal year, the fund balance of the General Fund was \$ 712,686.92 of which \$ 712,686.92 is unassigned.

The General Fund Balance of the Board increased by \$ 506,226.01 during the current fiscal year. This increase related primarily to revenues over expenses for Economic Development.

## **Capital Assets and Debt Administration**

### Capital Assets

At June 30, 2015 the Board had \$ 526,291.00 invested in Capital Assets.

	<b>Capital Assets at Year-end</b>	
	<u>2015</u>	<u>2014</u>
Capital assets, net	<u>\$ 526,291.00</u>	<u>\$ 538,962.00</u>

The capital assets decreased by \$ 12,671.00 from depreciation expense.

## **Economic Factors for Next Year**

The board looks to a very favorable 2015-2016 fiscal year.

The Board's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the Board's finances and to demonstrate the Board's accountability.

EXHIBIT A

CLAIBORNE COUNTY ECONOMIC AND  
COMMUNITY DEVELOPMENT BOARD  
STATEMENT OF NET POSITION  
JUNE 30, 2015

<b>Assets:</b>	
<u>Current Assets:</u>	
Equity In Pooled Cash and Investments	\$712,538.92
Property Taxes Receivable	115,851.00
Allowance For Uncollected Property Taxes	<u>(3,615.00)</u>
<i>Total Current Assets</i>	<u>824,774.92</u>
<u>Non-Current Assets:</u>	
<i>Total Non-Current Assets</i>	<u>.00</u>
<u>Capital Assets:</u>	
Land	253,675.00
Buildings	494,169.00
Accumulated Depreciation	<u>(221,553.00)</u>
Total Capital Assets	<u>526,291.00</u>
<b>Total Assets</b>	<b><u>\$1,351,065.92</u></b>
<b>Liabilities, Deferred Inflows of Resources and Net Position</b>	
<u>Liabilities:</u>	
Current Liabilities:	
<i>Total Current Liabilities</i>	\$ <u>.00</u>
Long-Term Liabilities:	
<i>Total Long-Term Liabilities</i>	<u>.00</u>
<b>Total Liabilities</b>	<b><u>.00</u></b>
<b>Deferred Inflows of Resources</b>	
Unearned Revenues Current Property Taxes	<u>103,609.00</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>103,609.00</u></b>
Net Position:	
Investment In Capital Assets	526,291.00
Unrestricted Net Position	<u>721,165.92</u>
<b>Total Net Position</b>	<b><u>1,247,456.92</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b><u>\$ 1,351,065.92</u></b>

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

EXHIBIT B

CLAIBORNE COUNTY ECONOMIC AND  
COMMUNITY DEVELOPMENT BOARD  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities					
Economic Development	\$ 68,028.49	\$ .00	\$ .00	\$ .00	(\$ 68,028.49)
Debt Service	.00	.00	.00	.00	.00
<b>Total Governmental Activities</b>	<b>\$ 68,028.49</b>	<b>\$ .00</b>	<b>\$ .00</b>	<b>\$ .00</b>	<b>(\$ 68,028.49)</b>

GENERAL REVENUES:

Taxes	\$112,762.01
Town of Tazewell	1,000.00
Gain on Sale of Property	384,024.75
Miscellaneous Refunds	2,204.05
Lease Rental Income	12,000.00
Interest Income	<u>6,591.48</u>
<b>Total General Revenues</b>	<b><u>\$ 518,582.29</u></b>
<b>Change In Net Position</b>	<b>\$450,553.80</b>
<b>Net Position Beginning of Year</b>	<b><u>796,903.12</u></b>
<b>Net Position- End of Year June 30, 2015</b>	<b><u>\$ 1,247,456.92</u></b>

*The accompanying notes are an integral part of these financial statements.*

EXHIBIT C1

**CLAIBORNE COUNTY ECONOMIC AND  
COMMUNITY DEVELOPMENT BOARD  
BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2015**

**ASSETS:**

Current Assets:

Equity In Pooled Cash and Investments	\$712,538.92
Property Tax Receivable	115,851.00
Allowance For Uncollectable Property Taxes	<u>(3,615.00)</u>
Total Current Assets	<u>\$824,774.92</u>
<b>TOTAL ASSETS</b>	<b><u>\$824,774.92</u></b>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:**

Liabilities:

Current Liabilities

Total Current Liabilities	\$ <u>          .00</u>
Total Liabilities	<u>          .00</u>

Deferred Inflows of Resources:

Unearned Revenues	<u>112,088.00</u>
Total Deferred Inflows of Resources	<u>112,088.00</u>

Fund Balances:

Unassigned Fund Balance	<u>712,686.92</u>
Total Fund Balances	<u>712,686.92</u>

<b>TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCES</b>	<b><u>\$824,774.92</u></b>
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*The accompanying notes are an integral part of these financial statements.*

EXHIBIT C2

**CLAIBORNE COUNTY ECONOMIC AND  
COMMUNITY DEVELOPMENT BOARD  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015**

**Fund Balances – Total Governmental Funds** **\$712,686.92**

Amounts reported for governmental activities in the Statement of Net Position  
are different because:

(1) Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the governmental  
funds. 526,291.00

(2) Certain earned amounts are not available to pay for current-  
Period Expenditures and therefore are unearned revenues in the  
Governmental funds. 8,479.00

**NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES** **\$1,247,456.92**

*The accompanying notes are an integral part of these financial statements.*

EXHIBIT C3

**CLAIBORNE COUNTY ECONOMIC AND  
COMMUNITY DEVELOPMENT BOARD  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015**

Revenues:

Taxes:

Current Property Taxes	\$100,386.62
Prior year Property Taxes:	
Trustee's Collections	4,145.95
Clerk and Master's Collections	3,396.50
Interest and Penalty	1,288.39
Payment in Lieu of Taxes Other	<u>1,826.55</u>
Total Taxes	<u>111,044.01</u>

Intergovernmental Revenues:

Town of Tazewell	<u>1,000.00</u>
Total Intergovernmental Revenues	<u>1,000.00</u>

Compensation For Loss Sale Or Damage To Property:

Lease Rental Income-Alpha School	12,000.00
Sale of Property	384,024.75
Sales-Type Lease Income	<u>530,322.21</u>
Total Compensation For Loss Sale or Damage To Property	<u>926,346.96</u>

Revenue From Use of Money or Property:

Interest Income	<u>6,591.48</u>
Total Revenues From Use of Money or Property	<u>6,591.48</u>

Other Revenues:

Miscellaneous Refunds	<u>2,204.05</u>
Total Other Revenues	<u>2,204.05</u>

**Total Revenues** **\$1,047,186.50**

Expenditures:

Economic Development:

Auditing and Accounting Fees	\$6,500.00
Engineering	13,075.00
Chamber of Commerce	7,100.00
Contract Services	7,580.26
Other Charges	160.00
Job Training Initiative-England Expansion	16,500.00
Other Capital Outlay	2,327.52
Trustee's Commission	<u>2,114.71</u>
Total Economic Development	<u>55,357.49</u>

Debt Service:

Principal on Notes	<u>485,603.00</u>
Total Debt Service	<u>485,603.00</u>

**Total Expenditures** **540,960.49**

**Total Revenues Over or (Under) Expenditures** **506,226.01**

**Fund Balance July 1, 2014** **206,460.91**

**Fund Balance June 30, 2015** **\$712,686.92**

*The accompanying notes are an integral part of these financial statements.*

EXHIBIT C4

CLAIBORNE COUNTY ECONOMIC AND  
COMMUNITY DEVELOPMENT BOARD  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUND TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015

**Net Changes In Fund Balances – Governmental Fund (Exhibit C3)** \$ 506,226.01

Amounts reported for governmental activities in the Statement of Activities (Exhibit B) are different because:

- (1) Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The amount that capital outlays differ from depreciation is itemized as follows:

Add: Capital Outlays in the current period	.00	
Less: Current year depreciation	(12,671.00)	(12,671.00)

- (2) Governmental funds report Debt Service Principal Payments as expenditures. However in the Statement Of activities this payment is reported as reduction in Long Term debt. 485,603.00
- (3) Governmental funds report Sales Type lease payments as Revenue. However in the Statement of Activities these Payments is reported as reduction in Sales Type Lease Receivable. (530,322.21)
- (4) Revenues in the statement of activities that do not provide Current financial resources are not reported as revenues in the funds.
- |   |                 |
|---|-----------------|
| Unearned Revenue July 1, 2014                     | (6,761.00)      |
| Unearned Revenue for the year ended June 30, 2015 | <u>8,479.00</u> |
| Total   | <u>1,718.00</u> |

**Change in Net Position of Governmental Activities (Exhibit B)** **\$ 450,553.80**

*The accompanying notes are an integral part of these financial statements.*

**CLAIBORNE COUNTY ECONOMIC AND  
COMMUNITY DEVELOPMENT BOARD  
NOTES TO FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED JUNE 30, 2015**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

***Reporting Entity***

Claiborne County Economic and Community Development Board is formed under the authority contained in Sections 7-53-101 Tennessee Code Annotated and is vested with all of the powers granted therein. The purpose of the organization of the Claiborne County Economic and Community Development Board is to acquire, own, lease, and dispose of properties and thus promote industry and develop trade by inducing manufacturing, industrial, governmental, and commercial enterprises to locate in or remain in Claiborne County.

Claiborne County Economic and Community Development Board, is governed by a board of nine members appointed by the County Commission of Claiborne County, Tennessee. There are no organizations requiring consideration for inclusion in the Claiborne County Economic and Community Development Board's financial reporting entity.

The Claiborne County Economic and Community Development Board is determined to be a component unit of Claiborne County, Tennessee, the primary government. Claiborne County Governments provides substantial financial support to the Claiborne County Economic and Community Development Board thus meeting the fiscal dependency and financial benefit check. Claiborne County Board of County Commissioners appoints the voting majority of Claiborne County Economic and Community Development Board of Directors.

***Accounting Policies***

The financial statements of Claiborne County Economic and Community Development Board have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the Claiborne County Economic and Community Development Board accounting policies are described below.

***Basis of Presentation – Government-Wide Financial Statements***

Claiborne County Economic and Community Development Board, follows provisions of Governmental Accounting Standards Board standards for external financial reporting for all state and local government entities, which includes a statement of net position and a statement of activities showing the change in net position. These standards require the classification of the net position into three components – net investment in capital assets, restricted, and unrestricted. The classifications are defined as follows:

*The accompanying notes are an integral part of these financial statements.*

**CLAIBORNE COUNTY ECONOMIC AND  
COMMUNITY DEVELOPMENT BOARD  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE PERIOD ENDED JUNE 30, 2015**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

- Investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The investment in capital assets will also include deferred inflow of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt. If there are significant unspent related debt proceeds or deferred inflows of resources at year-end, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component (restricted or unrestricted) as the unspent proceeds.
- Restricted – This component of the net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Claiborne County Economic and Community Development Board’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

***Basis of Presentation – Governmental Fund Financial Statements***

Governmental fund financial statements of Claiborne County Economic and Community Development Board, are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures. Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. Governmental activities generally are financed through taxes, intergovernmental revenue and other non-exchange revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The funds of the financial reporting entity are described below:

*The accompanying notes are an integral part of these financial statements.*

**CLAIBORNE COUNTY ECONOMIC AND  
COMMUNITY DEVELOPMENT BOARD  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE PERIOD ENDED JUNE 30, 2015**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Governmental Funds**

*General Fund* – The General Fund is the only fund of the Claiborne County Economic and Community Development Board and is always classified as a major fund. All activities of the Claiborne County Economic and Community Development Board are accounted for in the General Fund.

*Measurement Focus*

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements.

On the government-wide statement of net position and the statement of activities governmental activities are presented using the “economic resources” measurement focus. Accordingly, all of the Claiborne County Economic and Community Development Board’s assets and liabilities, including capital assets, are included in the accompanying statement of net position. The statement of activities presents changes in net position.

In the fund financial statements the “current financial resources” measurement focus or “economic resources” measurement focus is used as appropriate. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

*Basis of Accounting*

Basis of accounting refers to “when” transactions are recorded, regardless of the measurement focus applied.

In the government-wide statement of net position and statement of activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred or economic asset used. The types of transactions reported as program revenues for the Claiborne County Economic and Community Development Board are reported in three categories: (1) charges for services; (2) operating grants and contributions; and (3) capital grants and contributions. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual

*The accompanying notes are an integral part of these financial statements.*

**CLAIBORNE COUNTY ECONOMIC AND  
COMMUNITY DEVELOPMENT BOARD  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE PERIOD ENDED JUNE 30, 2015**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

(generally 60 days after year-end) are recognized when due. Rental income, while susceptible to accrual, is recorded as revenue when received because amounts are not materially different. Investment earnings are recorded when earned since they are measurable and available. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

***Restricted Assets***

When applicable, the Claiborne County Economic and Community Development Board elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

***Governmental Fund Balance***

If Claiborne County Economic and Community Development Board has an expenditure that is incurred for purposes of multiple account classification, the Claiborne County Economic and Community Development Board's policy is to apply the expenditures in the following order: non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified.

It is possible for the non-general funds to have a negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

Equity is classified as fund balance and displayed in the following five components, if applicable:

*Non-spendable* – Such as fund balance associated with inventories, prepaids, long-term loans and notes receivable. Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

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**CLAIBORNE COUNTY ECONOMIC AND  
COMMUNITY DEVELOPMENT BOARD  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE PERIOD ENDED JUNE 30, 2015**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

*Restricted* – Consists of fund balance for which constraints are placed thereon by outside sources or external parties, such as lenders, grantors, contributors, laws, regulations and enabling legislation, including self-imposed legal mandates, less any related liabilities.

*Committed* – Amounts that can be used only for specific purposes determined by a formal action by the Claiborne County Economic and Community Development Board of Directors.

*Assigned* – fund balance classification is intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Board approval is required to assign fund balances.

*Unassigned* – fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications.

**NOTE 2: SALES-TYPE LEASE RECEIVABLE AND ASSOCIATED DEBT**

Claiborne County Economic and Community Development Board, entered into a Sales-Type lease agreement with Walters State Community College Foundation with payments starting August 2010 through September 2019. The total Sales-Type Lease Receivable as of June 30, 2015, was \$0.00. The Sales-Type Lease Receivable in amount of \$530,322.21 was paid in full during the fiscal year ending June 30, 2015. The present value used to compute interest income on this sales-type lease was 2.25%. The amount of income recognized in the Statement of Activities for the audit period is \$6,591.48 for interest income on this transaction. Claiborne County Economic and Community Development Board, borrowed \$740,000.00 through Powell Valley Electric, a TVA interest free loan to be paid back starting October 2011 in amount of \$7,708.33 per month. As of June 30, 2015, \$.00 was owed on this loan. The amount paid on this loan for the fiscal year ending June 30, 2015 was \$ 485,603.00 which paid this loan in full. The proceeds of this loan were used for improvements to property owned by Claiborne County Economic and Community Development Board, used as Walter State's campus. The ownership of this property was transferred to Walters State Community College Foundation.

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**CLAIBORNE COUNTY ECONOMIC AND  
COMMUNITY DEVELOPMENT BOARD  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE PERIOD ENDED JUNE 30, 2015**

**NOTE 3: DEPOSITS**

Custodial credit risk is the risk that in the event of a bank failure, the Claiborne County Economic and Community Development Board's deposits may not be returned to it. All deposits of Claiborne County Economic and Community Development Board are on Deposit with Trustee of Claiborne County Tennessee and the Trustee follows collateralization requirements of State statutes.

**NOTE 4: INVESTMENTS**

State statutes authorize the Claiborne County Economic and Community Development Board to invest in obligations of the United States Treasury, agencies, instrumentalities and obligations guaranteed as to principal and interest by the United States or any of its agencies, repurchase agreements, the Tennessee local government investment pool, certificates of deposit at state and federally-chartered banks and savings and loan associations, and money market funds approved by the state director of finance. The Trustee of Claiborne County Tennessee handles all investments for Claiborne County, Tennessee.

**NOTE 5: PROPERTY TAXES RECEIVABLE**

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 3.12 percent of total taxes levied.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred inflow of resources as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet as a deferred inflow of resources to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

*The accompanying notes are an integral part of these financial statements.*

**CLAIBORNE COUNTY ECONOMIC AND  
COMMUNITY DEVELOPMENT BOARD  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE PERIOD ENDED JUNE 30, 2015**

**NOTE 6: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**NOTE 7: ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 8: CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, and similar items) are reported in the government-wide type activity. Such assets are recorded at historical cost of estimated historical cost of purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation or transfer.

Buildings are depreciated at straight line basis over 25 years.

Capital asset activity for the period ended June 30, 2015, was as follows:

Governmental Type Activities:

Capital Assets Being Depreciated:

	<b>Beginning</b>		<b>Additions</b>	<b>Depreciation</b>	<b>Ending</b>
Land	\$253,675.00	\$	0.00	\$0.00	\$253,675.00
Buildings	\$494,169.00		\$0.00	\$0.00	\$494,169.00
Accumulated Depreciation	(\$208,882.00)		\$0.00	(\$12,671.00)	(\$221,553.00)
<b>Total Cap Outlay</b>	<u>\$538,962.00</u>	<b>\$</b>	<u>0.00</u>	<u>(\$12,671.00)</u>	<u>\$526,291.00</u>

*The accompanying notes are an integral part of these financial statements.*

**CLAIBORNE COUNTY ECONOMIC AND  
COMMUNITY DEVELOPMENT BOARD  
NOTES TO FINANCIAL STATEMENTS (Continued)  
FOR THE PERIOD ENDED JUNE 30, 2015**

**NOTE 9: LONG-TERM DEBT**

Claiborne County Economic and Community Development Board, has the following long-term debt as of June 30, 2015:

	<u>Beginning Balance</u>	<u>Debt Issued</u>	<u>Debt Retired</u>	<u>Ending Balance</u>
Notes Payable-Powell Valley Electric	\$485,603.00	\$.00	\$485,603.00	\$ .00
Total	\$485,603.00	\$ .00	\$485,603.00	\$ .00

**NOTE 10: AT-RISK ACTIVITIES**

Claiborne County Economic and Community Development Board, covers its at-risk activities under insurance policies under Claiborne County Government.

**NOTE 11: RELATED PARTY TRANSACTIONS**

There were no related party transactions during the audit period.

**NOTE 12: BUDGET**

Claiborne County Economic and Community Development Board's budget operation was generally sound for the year. The budget is adopted and controlled by the Claiborne County Board of County Commissioners. The control level is by Claiborne County Board of County Commissioners. No budget is presented for the year ended June 30, 2015.

**NOTE 13: OFFICIAL CHANGE OF NAME**

The Claiborne County Industrial Board voted to change the name of The Industrial Development Board of Claiborne County, Tennessee, to Claiborne County Economic and Community Development Board on October 10, 2014. The Board of County Commissioners for Claiborne County, Tennessee, passed a resolution on October 20, 2014, approving the name change of The Industrial Development Board of Claiborne County, Tennessee, to Claiborne County Economic and Community Development Board.

*The accompanying notes are an integral part of these financial statements.*

EXHIBIT D1

**CLAIBORNE COUNTY ECONOMIC AND  
COMMUNITY DEVELOPMENT BOARD  
SCHEDULE OF CHANGE IN LONG-TERM DEBT  
FOR THE YEAR ENDED JUNE 30, 2015**

**GENERAL FUND:**

	<b>Beginning Balance</b>	<b>Debt Issued</b>	<b>Debt Retired</b>	<b>Ending Balance</b>
Notes Payable – Powell Valley Electric	<u>\$485,603.00</u>	<u>\$ 00</u>	<u>\$485,603.00</u>	<u>\$ .00</u>
Total	<u>\$485,603.00</u>	<u>\$ 00</u>	<u>\$485,603.00</u>	<u>\$ .00</u>

*The accompanying notes are an integral part of these financial statements.*

# **INTERNAL CONTROL AND COMPLIANCE**

DALE C. ISABELL  
*Certified Public Accountant*

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

August 14, 2015

Board of Directors  
Claiborne County Economic and  
Community Development Board

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of Claiborne County Economic and Community Development Board ( a component unit of Claiborne County, Tennessee), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Claiborne County Economic and Community Development Board basic financial statements, and have issued my report thereon dated August 14, 2015.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Claiborne County Economic and Community Development 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 my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Claiborne County Economic and Community Development Board's internal control. Accordingly, I do not express an opinion on the effectiveness of the Claiborne County Economic and Community Development 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Claiborne County Economic and Community Development Board'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 financial statement amounts. However, providing an opinion on compliance with those provisions was no an objective of my audit and accordingly, I do not express such an opinion. The results of my test 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 my 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.

*Dale C. Isabell*, CPA

**CLAIBORNE COUNTY ECONOMIC AND  
COMMUNITY DEVELOPMENT BOARD  
SCHEDULE OF FINDINGS  
JUNE 30, 2015**

I. SUMMARY OF AUDITOR'S RESULTS

A. An unqualified opinion was issued on the basic financial statements of Claiborne County Economic and Community Development Board, for the period ending June 30, 2015.

B. Internal control over financial reporting:

Material weakness(es) identified?                        yes                      x  no

Significant deficiency(ies) identified that are not  
Considered to be material weakness(es)?                        yes                      x  none reported

C. My audit disclosed no instances of noncompliance considered by me to be material to the financial statements.

II. SUMMARY OF FINDINGS REPORTED AT THE FINANCIAL STATEMENT LEVEL

Finding: No audit findings.

**CLAIBORNE COUNTY ECONOMIC AND  
COMMUNITY DEVELOPMENT BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2015**

- I.** Prior Audit Finding: An EDI grant receivable was not paid by grantor in amount of \$ 5,972.14 resulting in a prior period adjustment on the financial statements. No documentation was given on the reason these funds were not reimbursed.

Disposition of Prior Audit Finding: Management corrected prior audit finding. Identified Grant funds available not reimbursed.