

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE**

**FINANCIAL STATEMENTS**

**JUNE 30, 2015**

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE**

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**JUNE 30, 2015**

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**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE**

**INTRODUCTORY SECTION**

**JUNE 30, 2015**

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE  
ORGANIZATION  
JUNE 30, 2015**

**BOARD OF DIRECTORS**

<b>NAME</b>	<b>POSITION</b>
John Davis	Chairperson
Dana Carter	Vice-Chairperson
Bowden R. Ladd	Secretary
V.J. Dodson	Director
Randy Graham	Director
Tim Johnson	Director
Darryl Meadows	Director
Louis Newberry	Director
Danice Turpin	Director
Frank Susak	Director

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE**

**FINANCIAL SECTION**

**JUNE 30, 2015**

CERTIFIED PUBLIC ACCOUNTANTS

Joe Savage  
Marie I. Niekerk  
Josh Stone  
Earl O. Wright - 1988 - 2002

Stephen J. Parsons - Retired  
Catherine R. Hulme  
Rebecca Hutsell  
William R. Scandlyn - 1988 - 1999

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
The Industrial Development Board of the Counties  
of Cumberland, Morgan and Roane, Tennessee

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on 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 to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee as of June 30, 2015, and the respective changes 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 4-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries 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 that collectively comprise The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015, on our consideration of The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee'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 Industrial Board of the Counties of Cumberland, Morgan and Roane, Tennessee's internal control over financial reporting and compliance.

## **Parsons & Wright, CPAs**

Parsons & Wright  
Certified Public Accountants  
Kingston, Tennessee

December 21, 2015

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

The following is a narrative overview and analysis of The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee's financial performance for the year ended June 30, 2015. This section is only an introduction and should be read in conjunction with the Board's financial statements, which immediately follow this section.

The following management discussion and analysis (MD&A) provides a comprehensive overview of the financial position of The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee as of June 30, 2015, and its results of operations for the year then ended. Management has prepared the MD&A.

### **Financial Highlights**

Following are the financial highlights of the Board for the year ended June 30, 2015:

- The Board's net position decreased \$139,100 over the course of this year's operations. The change in net position is a 25% decrease from the fiscal year ended June 30, 2014.
- During the year, the Board's expenses exceeded revenues by \$139,100 primarily due to monies paid for engineering and professional fees.
- The Board's operating expenses stayed approximately the same from the fiscal year ended June 30, 2014 to the fiscal year ended June 30, 2015.
- The Board's cash balance decreased \$195,550 from June 30, 2014 to June 30, 2015. The decrease is due to the payment of operating expenses during the year.

### **Overview of the Financial Statements**

This annual report consists of two parts – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Board's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the Board's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

### **Government-wide Statements**

The government-wide statements report information about The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the Board's net position and how they have changed. Net position – the difference between the Board's assets and liabilities – is one way to measure The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee's financial health, or position.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

- Over time, increases or decreases in the Board's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Board you need to consider additional non-financial factors.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Board's most significant funds not the Board as a whole. Funds are accounting devices that the Board uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and bond covenants.
- Other funds are established to control and manage money for particular purposes or to show that the government is properly using funds.

The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee has only one kind of fund:

- **Governmental funds** – Most basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. Since the government-wide focus includes that long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

**Financial Analysis of the Organization as a Whole**

**Net Position** – The Board's net position decreased \$139,110 from June 30, 2014 to June 30, 2015.

The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee  
Net Position  
June 30, 2015 and 2014

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>% Change</u>
Current Assets	\$ 1,638,665	\$ 1,777,765	-8%
Capital Assets	5,229,415	5,229,415	0%
Other Assets	-	-	0%
<b>Total Assets</b>	<u>\$ 6,868,080</u>	<u>\$ 7,007,180</u>	-2%
Accounts Payable	\$ 8,333	\$ 8,333	0%
Long Term Debt	7,554,846	7,554,846	0%
<b>Total Liabilities</b>	<u>\$ 7,563,179</u>	<u>\$ 7,563,179</u>	0%
<b>Net Position:</b>			
Net Investment in Capital Assets	\$ -	\$ -	0%
Unrestricted Net Position	(695,099)	(555,999)	25%
<b>Total Net Position</b>	<u>\$ (695,099)</u>	<u>\$ (555,999)</u>	25%
<b>Total Liabilities and Net Position</b>	<u>\$ 6,868,080</u>	<u>\$ 7,007,180</u>	-2%

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2015**

**Changes in Net Position** – The Board's total revenue increased \$56,307 from fiscal year 2014 to fiscal year 2015. The increase is attributable to an Economic Development Act grant the Board received in the current fiscal year. The Board's total expenses are similar to last year and mostly consist of engineering and consulting fees.

	<u>June 30, 2014</u>	<u>June 30, 2014</u>	<u>% Change</u>
Total Revenues	\$ 56,673	\$ 366	15384%
Total Expenses	(195,773)	(195,904)	0%
	<u>\$ (139,100)</u>	<u>\$ (195,538)</u>	-29%

**Economic Factors That Will Affect the Future**

The Board remains committed to promoting industry and developing trade for Cumberland, Morgan, and Roane Counties. Its ability to successfully accomplish this is at least in part based upon the economic outlook for Cumberland, Morgan, and Roane counties.

**Contacting the Board's Financial Management**

This financial report is designed to provide our citizens with a general view of the Board's finances and to demonstrate the Board's accountability for the monies it receives. If you have questions about this report or need additional information, contact The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee at 34 South Main Street, Crossville, Tennessee 38555.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE  
STATEMENT OF NET POSITION  
JUNE 30, 2015**

	Governmental Activities <u>June 30, 2015</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and Cash Equivalent	\$ 1,582,215
Grant Receivable	\$ <u>56,450</u>
<b>Total Current Assets</b>	<b>\$ <u>1,638,665</u></b>
<b>CAPITAL ASSETS</b>	
Land - Nondepreciable	\$ 4,645,100
Land Improvements - Nondepreciable	<u>584,315</u>
<b>Total Capital Assets</b>	<b>\$ <u>5,229,415</u></b>
<b>TOTAL ASSETS</b>	<b>\$ <u><u>6,868,080</u></u></b>
<b>LIABILITIES AND NET POSITION</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	\$ 8,333
<b>Total Current Liabilities</b>	<b>\$ <u>8,333</u></b>
<b>LONG TERM LIABILITIES</b>	
Long Term Debt	\$ <u>7,554,846</u>
<b>Total Long Term Liabilities</b>	<b>\$ <u>7,554,846</u></b>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>7,563,179</u></b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ -
Unrestricted	<u>(695,099)</u>
<b>Total Net Position</b>	<b>\$ <u>(695,099)</u></b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ <u><u>6,868,080</u></u></b>

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

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

YEAR ENDED JUNE 30, 2015

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges For Service</u>	<u>Grants and Contributions</u>	
Governmental Activities				
General Government	\$ <u>195,773</u>	\$ <u>-</u>	\$ <u>56,450</u>	\$ <u>(139,323)</u>
	\$ <u>195,773</u>	\$ <u>-</u>	\$ <u>56,450</u>	\$ <u>(139,323)</u>
General Revenues:				
				\$ <u>223</u>
				\$ <u>223</u>
				\$ <u>(139,100)</u>
				<u>(555,999)</u>
				\$ <u>(695,099)</u>

**FUND FINANCIAL STATEMENTS**

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE  
BALANCE SHEET  
JUNE 30, 2015**

	<b>General June 30, 2015</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and Cash Equivalent	\$ 1,582,215
Grant Receivable	56,450
<b>TOTAL ASSETS</b>	<b>\$ 1,638,665</b>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 8,333
<b>TOTAL LIABILITIES</b>	<b>\$ 8,333</b>
<b>FUND BALANCE</b>	
Assigned	\$ 1,630,332
<b>TOTAL FUND BALANCE</b>	<b>\$ 1,630,332</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,638,665</b>
Total Fund Balance Per Fund Financial Statements	\$ 1,630,332
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 as assets in the governmental funds balance sheet. The cost of capital assets is \$5,229,415 as of June 30, 2015.	5,229,415
Long term debt is not financial obligations of the current period and therefore are not reported as liabilities in the governmental funds balance sheet. In the statement of net position, the liability for long term debt is reflected. Long term debt totals \$7,554,846 as of June 30, 2015.	(7,554,846)
<b>Total Net Position - Governmental Activities</b>	<b>\$ (695,099)</b>

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>June 30, 2015</u>
<b>Revenue</b>	
Grant Revenue	\$ 56,450
Interest and Dividend Revenue	<u>223</u>
<b>TOTAL REVENUE</b>	<u>\$ 56,673</u>
<b>Expenditures</b>	
Legal and Professional Fees	\$ 177,940
Online Software	300
Liability Insurance	4,382
Other Expense	<u>13,151</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 195,773</u>
<b>EXCESS OF EXPENDITURES</b>	\$ (139,100)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>1,769,432</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 1,630,332</u>

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2015**

Changes in the Fund Balances - Governmental Funds	\$ (139,100)
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Amounts reported for governmental activities in the statement of activities  
are different because:

No Differences	\$ <u>          -</u>
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Change in Net Position	\$ <u><u>          (139,100)</u></u>
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**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE A – SUMMARY OF ACCOUNTING POLICIES**

*1. The Reporting Entity*

The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee (the Board), is a special purpose entity serving Cumberland, Morgan, and Roane Counties. The members of the Board are appointed by the governing bodies of the respective counties. The purpose of the Board is to promote industry and develop trade for Cumberland, Morgan, and Roane Counties.

The financial statements of the Board have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below:

*2. Government-Wide and Fund Financial Statements*

In the government-wide Statement of Net Position, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The government-wide Statement of Activities reports both the gross and the net cost of the Board's programs. The functions are also supported by general governmental revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function.

The Board adopted the provisions of Governmental Accounting Standards Board Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." Statement 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net position and statement of activities. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

*Net investment in capital assets* – This component of net position 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. If there are significant unspent debt proceeds at year-end, the portion of debt is included in the same net position component as the unspent proceeds.

*Restricted* – This component of 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 regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted* – This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets".

In the governmental fund financial statements, fund balances are classified as follows:

*Nonspendable* – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* – Amounts subject to external enforceable legal restrictions that are either 1) externally imposed by creditors, grantors, contributors, or laws or regulation of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE A – SUMMARY OF ACCOUNTING POLICIES – Continued**

*2. Government-Wide and Fund Financial Statements - Continued*

*Committed* – Amounts that can be used only for specific purposes determined by a formal action by ordinance or resolution.

*Assigned* – Amounts that are designated by the Board for a particular purpose but are not spendable until there is a majority vote approval by the Board.

*Unassigned* – All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Board's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Board's policy is to first apply the expenditure toward restricted fund balance and then to other less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

During the fiscal year ended June 30, 2013, the Board implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance, included in certain GASB and AICPA pronouncements issued prior to November 30, 1989, which does not conflict with or contradict GASB pronouncements.

During the fiscal year ended June 30, 2013, the Board implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which established guidance for reporting the statement of net position and statement of activities.

During the fiscal year ended June 30, 2014, the Board implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which requires debt issuance costs to be expensed in the period incurred.

Fund Financial Statements

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 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. The financial transactions of the Board are reported in the individual funds in the fund financial statement. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures. The Board reports the following major governmental fund:

**General Fund** – The General Fund is the general operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund.

*3. Deposits*

The Board had the following investments, valued at cost (which approximates fair value), at June 30, 2015:

Regions Trust Cash Sweep	\$ <u>1,582,215</u>
Total Cash and Cash Equivalents	\$ <u><u>1,582,215</u></u>

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE A – SUMMARY OF ACCOUNTING POLICIES - Continued**

*3. Deposits - Continued*

The Board is authorized to deposit and invest funds in accordance with Section 5-8-301 of the Tennessee Code Annotated [Acts 1992, ch. 891, section 10].

Custodial Credit Risk

The Board's cash and cash equivalents, consistent with State statutes, are covered by federal depository insurance (FDIC) or are collateralized by a multiple financial institution collateral pool administered by the Treasurer of the State of Tennessee. On limited occasions the Board may have deposits with financial institutions that do not participate in the State collateral pool; in these instances separate collateral equal to at least 105% of the uninsured deposit is collateralized and held in the Board's name by a third party. These provisions covered all Board deposits at year-end.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Both State statutes and the Board's investment policy limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At year end, all of the Board's deposits were held in cash and cash equivalents.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Both State statutes and the Board's investment policy limit permissible investments and impose collateral and custody provisions to significantly limit credit risk.

*4. Estimates*

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

*5. Property and Equipment*

Property and equipment is recorded at cost and depreciated over the estimated useful lives of the individual assets ranging from 5 to 40 years. Depreciation is computed using the straight-line method for financial reporting purposes. The cost of maintenance and repairs are expensed as incurred.

*6. Advertising*

Advertising costs are expensed as incurred.

*7. Income Tax Status*

No provision or liability for income taxes has been recorded because the Board is exempt from federal and state income tax.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE A – SUMMARY OF ACCOUNTING POLICIES - Continued**

*8. Budget*

The Board's by-laws do not require an annual budget. No budget was prepared for the year ending June 30, 2015 and, therefore, no budgetary comparisons are presented.

**NOTE B – CASH AND CASH EQUIVALENTS**

The Board is authorized to deposit its funds in banks, trust companies, or other depositories. At June 30, 2015, the Board's cash and cash equivalent is made up of an investment in Regions Trust Cash Sweep, a deposit account. The deposit account is collateralized by government securities.

**NOTE C – LAND AND LAND IMPROVEMENTS**

In January 2008, the Board purchased 2 tracts of land and subsequent land improvements for the development of an industrial park known as Plateau Partnership Park. The Board plans to negotiate the terms for the use of the property with applicable private-sector companies. The land values are recorded at cost in the statement of net position.

Capital asset activity for the year ended June 30, 2015 is as follows:

	<u>6/30/2014</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2015</u> <u>Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 4,645,100	\$ 0	\$ 0	\$ 4,645,100
Land Improvements	584,315	0	0	584,315
Total Capital Assets Not Being Depreciated	<u>\$ 5,229,415</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,229,415</u>

Reconciliation of net investment in capital assets:

Capital Assets	\$ 5,229,415
Related Capital Debt	(5,229,415)
Net Investment in Capital Assets	<u>\$ -</u>

The Board has unspent debt proceeds totaling \$1,582,215 at June 30, 2015 that were included in unrestricted net position.

**NOTE D – LONG TERM DEBT**

The Counties of Cumberland, Morgan, and Roane, Tennessee issued debt through the Blount County Public Building Authority in the amount of \$5,250,000 and subsequently loaned the entire proceeds to the Board. The monies were used for the acquisition and development of major capital facilities. A formal loan agreement requires the Board to repay the proceeds interest free upon the sale of tracts of land.

On June 15, 2010, the Counties of Cumberland, Morgan, and Roane, Tennessee issued additional debt through the Blount County Public Building Authority in the amount of \$2,304,846 and subsequently loaned the proceeds to the Board. The monies will be used for ongoing operations. A formal loan agreement requires the Board to repay the proceeds interest free upon the sale of tracts of land.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE D – LONG TERM DEBT - Continued**

There have been no land sales by the Board and, therefore, no payments have been made on the principal of the debt. Additionally, there has been no interest paid on the interest free debt.

7/1/2014 Balance	Additions	Reductions	6/30/2015 Balance
\$ 7,554,846	\$ -	\$ -	\$ 7,554,846

Repayment is based on the sale of tracts of land in the Plateau Partnership Park. Therefore, the repayment schedule for the next five years is as follows:

	Principal	Interest	Total
2016	\$ -	\$ -	\$ -
2017	-	-	-
2018	-	-	-
2019	-	-	-
2020	-	-	-
<b>TOTAL</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE E – GRANT RECEIVABLE**

In May 2013, the Board was awarded an Economic Development Act (EDA) grant by the United States Department of Commerce in the amount of \$56,450. The grant required matching funds of \$56,450 be paid by the Board. During fiscal year 2015, the Board fulfilled its obligations for the grant and applied for reimbursement. The grant revenue was received by the Board after the end of the fiscal year, but before the date of this report. Therefore, grant revenue of \$56,450 has been recognized during the current fiscal year and is also included in grant receivables.

**NOTE F – MANAGEMENT FEES**

Beginning in September 2012, the Board obtained the services of the Crossville-Cumberland County Chamber of Commerce (the Chamber). The services provided include management, administrative, and consulting duties. However, all decisions are made by the Board. The Board pays \$40,000 per year for these services. The Board paid \$40,000 during the year ending June 30, 2015 and owed the Chamber \$8,333 as of that date.

**NOTE G – INSURANCE**

The Board has purchased commercial liability insurance for the risks to which it is exposed. The Board has not had any claims since inception. The coverage is as follows:

Each Occurance	\$ 1,000,000
Aggregate	\$ 2,000,000

**NOTE H – COMMITMENTS AND CONTINGENCIES**

The Board receives its funding from the Counties of Cumberland, Morgan, and Roane, Tennessee. A significant reduction in the level of such support, if this were to occur, would have an effect on the Board's programs and activities.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE H – COMMITMENTS AND CONTINGENCIES – Continued**

The Board is not aware of any deficiencies or noncompliance issues that, upon ultimate resolution, would have a material adverse impact on the financial statements of the Board.

**NOTE I – SUBSEQUENT EVENTS**

The Board has evaluated subsequent events through December 21, 2015, which is the date the financial statements were issued. No events were noted that would require disclosure in the financial statements.

**THE INDUSTRIAL DEVELOPMENT BOARD OF THE  
COUNTIES OF CUMBERLAND, MORGAN AND ROANE, TENNESSEE**

**INTERNAL CONTROL AND  
COMPLIANCE AND OTHER MATTERS  
SECTION**

**JUNE 30, 2015**

CERTIFIED PUBLIC ACCOUNTANTS

Joe Savage  
Marie I. Niekerk  
Josh Stone  
Earl O. Wright - 1988 - 2002

Stephen J. Parsons - Retired  
Catherine R. Hulme  
Rebecca Hutsell  
William R. Scandlyn - 1988 - 1999

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

To the Board of Directors  
The Industrial Development Board of the Counties  
of Cumberland, Morgan and Roane, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee's basic financial statements, and have issued our report thereon dated December 21, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of The Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee'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 Industrial Development Board of the Counties of Cumberland, Morgan and Roane, Tennessee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit,

and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Parsons & Wright, CPAs*

Parsons & Wright  
Certified Public Accountants  
Kingston, Tennessee

December 21, 2015