THE INDUSTRIAL DEVELOPMENT BOARD OF RHEA COUNTY, TENNESSEE

FINANCIAL REPORT

JUNE 30, 2015 and 2014

THE INDUSTRIAL DEVELOPMENT BOARD OF RHEA COUNTY, TENNESSEE
June 30, 2015 and 2014

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THE INDUSTRIAL DEVELOPMENT BOARD OF RHEA COUNTY, TENNESSEE
ROSTER OF THE BOARD OF DIRECTORS
June 30, 2015 and 2014

David Brown, Chairman

Jeremy Fitzgerald, Vice-Chairman

Bob Arnold, Secretary/Treasurer

Clyde Thurman, Member

Sarah McDaniel, Member

Jim Baldwin, Member

Lebron Purser, Member

FINANCIAL SECTION

HARTING, BISHOP & ARRENDALE, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

ELIZABETH HARTING, CPA
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MEMBER
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Industrial Development Board of Rhea County, Tennessee

We have audited the accompanying financial statements of the governmental activities and each major fund of the Industrial Development Board of Rhea County, Tennessee, as of and for the years ended June 30, 2015 and 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 opinions on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 each major fund of the Industrial Development Board of Rhea County, Tennessee, as of June 30, 2015 and 2014, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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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 4–7 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. 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2015, on our consideration of the Industrial Board of Rhea County, 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 Rhea County, Tennessee's internal control over financial reporting and compliance.

Harding, Bishop & Arendale, PLLC

Cleveland, Tennessee
December 2, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of The Industrial Development Board of Rhea County, Tennessee's (the Board) annual financial report presents our discussion and analysis of the Board's financial performance during the fiscal years ended June 30, 2015 and 2014. The Board's financial performance is discussed and analyzed within the context of the accompanying financial statements and notes following this section.

FINANCIAL HIGHLIGHTS

- The Board's net position was $198,984 as of June 30, 2015 and $171,542 as of June 30, 2014.

- Total net position consists of the following:
  (1) Net position restricted for a right of way at the Spring City Industrial Park of $130,393 and $130,413 as of June 30, 2015 and 2014, respectively.
  (2) Net position restricted for the Rhea County/Spring City Industrial Park of $65,486 and $38,028 as of June 30, 2015 and 2014, respectively.
  (3) Unrestricted net position of $3,105 and $3,101 as of June 30, 2015 and 2014, respectively.

OVERVIEW OF FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the Board's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Board also includes in this report additional information to supplement the basic financial statements.

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 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 and 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 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 funds. 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 the 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 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 statement of revenues, expenditures, and changes in fund balance provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Financial Analysis of the Board as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Board as a whole.

The Board's net income (loss) for the years ended June 30, 2015 and 2014 is $27,442 and ($20,055), respectively. The following table provides a summary of the Board's net position at June 30:

	Governmental Activities		
	2015	2014	2013
Current and other assets	$ 198,984	$171,542	$ 191,597
Total assets	198,984	171,542	191,597
Current liabilities	-	-	-
Total liabilities	-	-	-
Net position:			
Restricted for right of way at Spring City Industrial Park	130,393	130,413	164,134
Restricted for Rhea County/Spring City Industrial Park	65,486	38,028	24,365
Unrestricted	3,105	3,101	3,098
Total net position	$ 198,984	$171,542	$ 191,597

The Board's net position increased during the 2015 fiscal year due to the receipt of royalties in accordance with a lease agreement. The Board's net position decreased during the 2014 fiscal year due to development costs paid for a right of way at the Spring City Industrial Park.

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the Board's changes in net position for the year ended June 30:

	Governmental Activities		
	2015	2014	2013
Revenues:			
Royalties	$ 27,430	$ 17,153	$ 8,134
Interest income	50	32	22
Total revenue	27,480	17,185	8,156
Expenses:			
Industrial development	38	37,240	6,775
Total expenses	38	37,240	6,775
Change in net position	27,442	(20,055)	1,381
Beginning net position, as restated	171,542	191,597	190,216
Ending net position	$ 198,984	$171,542	$ 191,597

For the years ended June 30, 2015 and 2014, revenues consisted of royalties received in accordance with a lease agreement and interest income. For the year ended June 30, 2015, expenses consist of development costs and advertising. For the year ended June 30, 2014, expenses consist of professional fees, development costs and advertising.

Financial Analysis of the Board

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources, focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. For the year ended June 30, 2015, governmental funds reported an ending fund balance of $198,984 of which $65,486 is restricted for the Rhea County/Spring City Industrial Park and $130,393 is restricted for the right of way at the Rhea County/Spring City Industrial Park, with the remaining fund balance of $3,105 unassigned, indicating availability for continuing Board requirements. For the year ended June 30, 2014, governmental funds reported an ending fund balance of $171,542 of which $38,028 is restricted for the Rhea County/Spring City Industrial Park and $130,413 is restricted for the right of way at the Rhea County/Spring City Industrial Park, with the remaining fund balance of $3,101 unassigned, indicating availability for continuing Board requirements.

THE INDUSTRIAL DEVELOPMENT BOARD OF RHEA COUNTY, TENNESSEE
STATEMENTS OF NET POSITION
June 30, 2015 and 2014

	2015	2014
ASSETS		
Current Assets		
Cash in bank	$ 59,731	$ 34,962
Royalties receivable	8,860	6,167
Total Current Assets	68,591	41,129
Other Assets		
Right of way deposit	130,393	130,413
Total Assets	$ 198,984	$ 171,542
LIABILITIES AND NET POSITION		
NET POSITION		
Restricted for:		
Right of way - Spring City Industrial Park	$ 130,393	$ 130,413
Rhea County/Spring City Industrial Park	65,486	38,028
Unrestricted	3,105	3,101
Total Net Position	198,984	171,542
Total Liabilities and Net Position	$ 198,984	$ 171,542

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

THE INDUSTRIAL DEVELOPMENT BOARD OF RHEA COUNTY, TENNESSEE
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2015 and 2014

	2015	2014
Expenses:		
Industrial development	$ 38	$ 37,240
Total expenses	38	37,240
Program revenues:		
Royalties	27,430	17,153
Interest income	50	32
	27,480	17,185
Change in net position	27,442	(20,055)
Net position, beginning	171,542	191,597
Net position, ending	$ 198,984	$ 171,542

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

THE INDUSTRIAL DEVELOPMENT BOARD OF RHEA COUNTY, TENNESSEE
BALANCE SHEETS
GOVERNMENTAL FUNDS
June 30, 2015 and 2014

	2015	2014
ASSETS		
Current Assets:		
Cash in bank - general fund	$ 3,105	$ 3,101
Cash in bank - restricted	56,626	31,861
Royalties receivable	8,860	6,167
	68,591	41,129
Other Assets:		
Right of way deposit	130,393	130,413
Total Assets	$ 198,984	$ 171,542
LIABILITIES AND FUND BALANCES		
Fund balances:		
Restricted for:		
Right of way - Spring City Industrial Park	$ 130,393	$ 130,413
Rhea County/Spring City Industrial Park	65,486	38,028
Unassigned	3,105	3,101
Total Fund Balances	198,984	171,542
Total Liabilities and Fund Balances	$ 198,984	$ 171,542

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

THE INDUSTRIAL DEVELOPMENT BOARD OF RHEA COUNTY, TENNESSEE
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
June 30, 2015 and 2014

	2015	2014
Total Governmental Fund Balances	$ 198,984	$ 171,542
Net position of governmental activities	$ 198,984	$ 171,542

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

THE INDUSTRIAL DEVELOPMENT BOARD OF RHEA COUNTY, TENNESSEE
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Years Ended June 30, 2015 and 2014

	2015	2014
REVENUES		
Royalties	$ 27,430	$ 17,153
Interest income	50	32
Total Revenues	27,480	17,185
EXPENDITURES		
Advertising	18	19
Professional fees	-	3,500
Development costs	20	33,721
Total Expenditures	38	37,240
Excess of revenues over expenditures	27,442	(20,055)
Fund balance, beginning of year	171,542	191,597
Fund balance, end of year	$ 198,984	$ 171,542

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

THE INDUSTRIAL DEVELOPMENT BOARD OF RHEA COUNTY, TENNESSEE
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Years Ended December 31, 2015 and 2014

	2015	2014
Net changes in fund balance - total governmental funds	$ 27,442	(20,055)
Change in net position of governmental activities	$ 27,442	$ (20,055)

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

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Industrial Development Board of Rhea County, Tennessee (the Board) was organized to promote industrial growth in the Rhea County area.

The Board, chartered as a Tennessee corporation, is the basic government that has financial accountability and control over all activities related to the recruiting of industry to Rhea County. The Board is not included in any other governmental "reporting entity" as defined by the GASB pronouncement since the Board's directors have decision making authority, the authority to contract, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters. In addition, there are no component units as defined in governmental standards that are included in the Board's reporting entity. The Board has seven members, who are elected by the governing body of Rhea County, Tennessee.

Financial Reporting

The accounting and reporting policies of the Board relating to the funds included in the accompanying government-wide and fund financial statements conform to generally accepted accounting principles applicable to state and local governments. The Board's general purpose financial statements include the accounts of all Board operations.

Basis of Presentation

Government-Wide Financial Statements - The government-wide financial statements (i.e, the statement of net position and the statement of activities) report information on the Board as a whole.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - The fund financial statements provide information about the Board's funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Major individual governmental funds are reported as separate columns in the financial statements. Governmental funds are those through with most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used; current liabilities are assigned to the fund from which they will be paid; and the difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources is referred to as fund balance. The Board reports the following funds:

Governmental Funds

General Fund - The general operating fund of the Board accounts for all financial resources that are not required to be accounted for in the special revenue funds. The general fund is the only fund currently utilized by the Board.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equity Classifications (continued)
Restricted Fund Balance - Amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the board of directors, the Board's highest level of decision making authority.

Assigned Fund Balance - Amounts that are constrained by the Board's intent to be used for specific purposes, but are neither restricted nor committed. The board of directors is authorized to make assignments.

Unassigned Fund Balance - The residual classification of general purpose funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within Board funds.

It is the Board's policy to first use restricted fund balance prior to use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. Also, it is the Board's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

Revenues - Exchange and Non-Exchange Transactions
Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected with the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Nonexchange transactions, in which the Board receives value without directly giving value in return, includes contributions. On an accrual basis, revenue from contributions is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Board must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Board on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenses/Expenditures
On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Comparison Schedule
The Board is not required to legally adopt a budget, therefore there is no requirement to present budgetary comparison schedules.

NOTE 2 – CASH DEPOSITS WITH FINANCIAL INSTITUTIONS
The Board maintains cash balances at a local financial institution, in accordance with approval of the board of directors. At year end the Board had demand deposits with a carrying amount and bank balance of $59,731 and $34,962, as of June 30, 2015 and 2014, respectively. Cash balances were covered by federal deposit insurance.

NOTE 3 – LEASE AGREEMENTS
The Board has entered into a lease agreement with a manufacturing company. The manufacturing company purchased property in Rhea County, and in accordance with the lease agreement between the Board and manufacturing company, the title to the property was transferred to the Board. There are no notes or loans on the property that are obligations of the Board. The ownership of the land by the Board is to enable the Board and the manufacturing company to enter into a Payment in Lieu of Tax (PILOT) agreement. The Board accepts no financial liability in the agreement. In consideration of the lease agreement the manufacturing company agrees to a) acquire and construct manufacturing facilities (the Project); b) operate the Project for its own benefit and for the benefit of the citizens of Rhea County, Tennessee; and c) make the payments required with respect to the property pursuant to the PILOT agreement. The lease includes an option to purchase the real property in part or total for $1 upon termination or expiration. The lease expires December 31, 2018.

The above referenced manufacturing company also entered into a lease agreement with the Town of Spring City and Rhea County, Tennessee, which included an agreement to pay royalties of twenty-five ($.25) cents per ton of shale/clay suitable for manufacture of brick removed from the Rhea County/Spring City Industrial Park. The Town of Spring City and Rhea County, Tennessee passed resolutions to delegate the right to receive the royalties from the manufacturing company to the Board.

NOTE 4 – CONDUIT DEBT

The Board has issued a tax increment financing agreement to provide financial assistance to a developer for the acquisition and construction of a retail development deemed to be in the public interest. The financing agreement is secured by the property financed and is payable solely from tax increment revenues. Upon payment of the financing agreement, the security interest in the property is released and ownership of the retail development transfers to the developer served by the tax increment financing. Neither the Board, the City, the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the financing agreement. Accordingly, the financing agreement is not reported as a liability in the accompanying financial statements.

As of June 30, 2015 and 2014, the tax increment financing agreement outstanding principal amount payable was $153,139 and $193,743, respectively.

NOTE 5 – RESTRICTED NET POSITION AND FUND BALANCE

The Town of Spring City and Rhea County, Tennessee, transferred funds from the sale of property and rights to royalties from the Rhea County/Spring City Industrial Park (the Park) to the Board to delegate the responsibility of oversight and development of the Park to the Board. All funds received are restricted for the oversight and development of the Park. These funds were $65,486 and $38,028 at June 30, 2015 and 2014, respectively.

The Board transferred funds to the State of Tennessee Department of Transportation for a right of way project. The right of way project is in progress, but not complete. The balance of the funds on deposit and unspent at June 30, 2015 and 2014 is $130,393 and $130,413, respectively.

NOTE 6 – INSURANCE

The Board is exposed to various risks of loss related to torts; damage to or destruction of assets; errors and omissions; and natural disaster. The Board does not have insurance coverage. There were no settlements or claims during the last three years.

INTERNAL CONTROL AND COMPLIANCE

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

To the Board of Directors
Industrial Development Board of Rhea County, 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 each major fund of the Industrial Development Board of Rhea County, Tennessee, as of and for the years ended June 30, 2015 and 2014 and the related notes to the financial statements, which collectively comprise the Industrial Development Board of Rhea County, Tennessee's basic financial statements and have issued our report thereon dated December 2, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Industrial Development Board of Rhea County, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Industrial Development Board of Rhea County, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the Industrial Development Board of Rhea County, 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 and therefore, material weaknesses or significant deficiencies

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may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations that we consider to be significant deficiencies. 2013-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Industrial Development Board of Rhea County, 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*.

Industrial Development Board of Rhea County, Tennessee's Response to Findings

Industrial Development Board of Rhea County, Tennessee's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. Industrial Development Board of Rhea County, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Harting, Bishop & Arrendale, PLLC

Harting, Bishop & Arrendale, PLLC

Cleveland, TN
December 2, 2015

THE INDUSTRIAL DEVELOPMENT BOARD OF RHEA COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Fiscal Years Ended June 30, 2015 and 2014

The findings and recommendations as a result of the audit of the Industrial Development Board of Rhea County, Tennessee are presented below. Finding 2013-001 is repeated from the prior year.

2013-001: Segregation of Duties

Condition: Staff job functions should be segregated so that errors and fraud will be detected by employees in the normal course of their work, in a timely manner. The relatively small size of the Industrial Development Board of Rhea County, Tennessee administrative staff prevents this proper segregation of duties.

Criteria: Segregation of duties should be in place that allows errors and fraud to be detected by employees in the normal course of their work.

Effect: Lack of segregation of duties prevents errors and fraud to be detected by employees in the normal course of their work.

Recommendation: Segregation of duties should be implemented as staff size increases.

Management Response: We agree with the auditor's findings and recommendations.

THE INDUSTRIAL DEVELOPMENT BOARD OF RHEA COUNTY, TENNESSEE
PRIOR YEAR FINDINGS AND RECOMMENDATIONS
For the Fiscal Years Ended June 30, 2015 and 2014

2013-001: Segregation of Duties

Condition: Staff job functions should be segregated so that errors and fraud will be detected by employees in the normal course of their work, in a timely manner. The relatively small size of the Industrial Development Board of Rhea County, Tennessee administrative staff prevents this proper segregation of duties.

Criteria: Segregation of duties should be in place that allows errors and fraud to be detected by employees in the normal course of their work.

Effect: Lack of segregation of duties prevents errors and fraud to be detected by employees in the normal course of their work.

Recommendation: Segregation of duties should be implemented as staff size increases.

Current Status: Management is aware that segregation of duties should be implemented as staff size increases. It is currently not cost effective to increase staff, and segregation of duties has been implemented as much as staff size allows.