

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE

Financial Statements and
Supplementary Information

Year Ended June 30, 2011

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Financial Statements and Supplementary Information
Year Ended June 30, 2011

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THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Officers and Board Members
Year Ended June 30, 2011

OFFICERS

Leslie Henderson

President and CEO (The Roane Alliance, Inc.)

BOARD MEMBERS

David Webb
Bob Kyker
Jerry Stephens

Chairman
Vice Chairman
Secretary Treasurer

OTHER BOARD MEMBERS

Bob Lunsford
Teddy Haywood
Bob Kite

Jane Long
James Owens
Jim Palmer



Industrial Development Board of the County
Of Roane, Tennessee

To the County Executive,
Members of the Board of Commissioners,
Board of Directors, and Citizens of
Roane County, Tennessee

Annual Financial Report

The annual financial report of the Industrial Development Board of the County of Roane, Tennessee (a Component unit of Roane County, Tennessee) for the fiscal year ended June 30, 2011, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the Board's management. To the best of our acknowledgement and belief, the enclosed data is accurate and all disclosures necessary to enable the reader to gain an understanding of the Board's financial activities have been included.

The annual financial report is presented in two sections: introductory and financial. The introductory section includes this transmittal letter and list of official management and board members. The financial section includes the report of the independent auditor, the management discussion and analysis, the basic financial statements, and supplemental information.

The Industrial Development Board of the County of Roane, Tennessee is governed by a nine (9) member board of directors. The purpose of the Board is to promote industrial development, provide additional job opportunities in Roane County, Tennessee.

Fund Descriptions

The accounts of the Board are organized on the basis of funds, each of which is considered a separate accounting entity. The operation of the funds is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and, as applicable, expenditures and expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with special regulations, restrictions, or limitations. The funds by the Board are as follows:

Governmental funds: These funds are used to account for the program and activities of the governmental functions of the Industrial Development Board

General fund: This fund serves as the general operating fund of the Board. It is used to account for all financial resources of the Board.

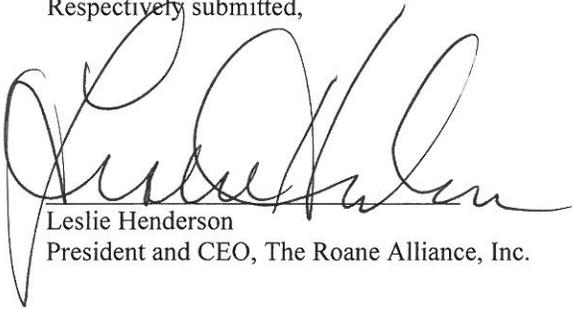
Risk Management

The Board acquires commercial insurance for the risk of losses to which it is exposed. These risks include general liability and property and causality.

Cash Management

At the end of the fiscal year, June 30, 2011, the Board has approximately \$847,000 in bank accounts.

Respectively submitted,

A handwritten signature in black ink, appearing to read 'Leslie Henderson', written over a horizontal line.

Leslie Henderson
President and CEO, The Roane Alliance, Inc.

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activity, and the major fund of The Industrial Development Board of the County of Roane, Tennessee, "a component unit of the Roane County Government", as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of The Industrial Development Board of the County of Roane, Tennessee's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activity, and the major fund of The Industrial Development Board of the County of Roane, Tennessee, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2011, on our consideration of The Industrial Development Board of the County of 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise The Industrial Development Board of the County of Roane, Tennessee's financial statements taken as a whole. The supplementary information 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.

Rodefer Mott & Co, PLLC

Knoxville, TN
October 3, 2011

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Management's Discussion and Analysis
June 30, 2011

As management of the Industrial Development Board of Roane County ("Board"), we offer readers of the Board's financial statements this narrative overview and analysis of the financial activities of the Board for the fiscal year ended June 30, 2011.

Financial Highlights

- The net assets of the Board exceeded its liabilities at June 30, 2011 by \$7,112,987.
- The Board's net assets decreased by \$743 from July 1, 2010 to June 30, 2011.
- Capital assets decreased by \$150,090, net of depreciation. The decrease is primarily due to write-off and reclassification of prior recorded fixed assets to expense during the current fiscal year.

Overview of the Financial Statements

This narrative discussion and analysis is intended to serve as an introduction to the Board's financial statements for the fiscal year ended June 30, 2011. The information presented here should be read in conjunction with the financial statements, footnotes, and supplementary information found in this report.

The Board is structured as a non-profit corporation and is a component unit of the Roane County government. The financial statements are prepared on the modified accrual basis of accounting. Therefore, revenues are recognized when they are both measurable and available. Expenditures are recognized when the related liability is incurred.

Following the management's discussion and analysis are the financial statements of the Board. This information, taken collectively, is designed to provide the reader with an understanding of the Board's finances.

The Statement of Net Assets presents information on all of the Board's assets, liabilities and net assets. Over time, increases or decreases in net assets may serve as a useful indicator of the Board's financial position.

The Statement of Activities presents information that focuses on the sustainability of the Board as an entity and the changes in the Board's net assets from the current fiscal year's activities.

Financial Position

Total current assets as of June 30, 2011 increased by \$25,090 compared to June 30, 2010. The increase was due primarily to an increase in cash as a result of more conservative spending during the year.

Capital assets as of June 30, 2011 decreased by \$150,090, net of depreciation, compared to June 30, 2010.

Other assets as of June 30, 2011 increased \$105,713, compared to June 30, 2010. The increase was due to the purchase of an additional long-term certificate deposit of \$100,000 plus accrued interest earned on the certificate of deposit during the year.

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

Capital Assets

The Board's investment in capital assets as of June 30, 2011 and 2010 is noted in the following table:

	<u>2011</u>	<u>2010</u>
Capital assets not being depreciated		
Land and improvements	\$ 5,938,003	\$ 5,919,032
Legal & start up costs	<u>213,577</u>	<u>213,577</u>
Total capital assets not being depreciated	<u>6,151,580</u>	<u>6,132,609</u>
Capital assets being depreciated		
Buildings and improvements	115,258	240,102
Water tank	-	65,300
Furniture and fixtures	7,000	7,000
Office equipment	249	9,844
Less: accumulated depreciation	<u>(16,507)</u>	<u>(47,185)</u>
Total capital assets being depreciated, net	<u>106,000</u>	<u>275,061</u>
Capital assets, net	<u>\$ 6,257,580</u>	<u>\$ 6,407,670</u>

Total liabilities increased by \$7,630 as of June 30, 2011, compared to June 30, 2010. The increase is primarily due to an increase in the land sale deposits during the fiscal year.

A portion of the Board's net assets (88% and 90% at June 30, 2011 and 2010, respectively) represents an investment in capital assets. The Board uses these assets to provide services to existing and future industries, and these assets are net of related debt.

At the end of the current and previous fiscal years, the Board reported positive balances in all categories of net assets.

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

The change in assets, liabilities, and net assets for the fiscal year ending June 30, 2011 compared to June 30, 2010 is as follows:

	<u>Fiscal year ending 6/30/11</u>	<u>Fiscal year ending 6/30/10</u>	<u>Increase/ Decrease</u>
Assets			
Capital assets	\$ 6,257,580	\$ 6,407,671	\$ (150,091)
Current assets	847,303	822,212	25,091
Other assets	<u>180,887</u>	<u>75,174</u>	<u>105,713</u>
Total assets	<u>\$ 7,285,770</u>	<u>\$ 7,305,057</u>	<u>\$ (19,287)</u>
Liabilities and net assets			
Current liabilities	\$ 65,781	\$ 66,301	\$ (520)
Other liabilities	<u>133,175</u>	<u>125,025</u>	<u>8,150</u>
Total liabilities	<u>198,956</u>	<u>191,326</u>	<u>7,630</u>
Net assets			
Invested in capital assets, net of related debt	6,257,580	6,407,670	(150,090)
Unrestricted	<u>829,234</u>	<u>706,060</u>	<u>123,174</u>
Total net assets	<u>7,086,814</u>	<u>7,113,730</u>	<u>(26,916)</u>
Total liabilities and net assets	<u>\$ 7,285,770</u>	<u>\$ 7,305,056</u>	<u>\$ (19,286)</u>

Revenues, Expenses and Changes in Net Assets

Revenues

Revenues increased by \$18,858 in the fiscal year ending June 30, 2011, compared to June 30, 2010 due primarily to a increase in reimbursed expenses for expenditures reimbursed by an economic development foundation.

Expenses

Expenses in fiscal year 2011 increased by \$127,769, when compared to fiscal year 2010. The increase is due primarily to an increase in expenses related to the reclassification of fixed assets to expense in the current fiscal year.

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

Summary of Changes in Net Assets

A summarized comparison of the changes in net assets for fiscal years 2011 and 2010 is shown below:

	<u>Fiscal year ending 6/30/11</u>	<u>Fiscal year ending 6/30/10</u>	<u>Fiscal year ending 6/30/09</u>
Program revenues, by major source			
Pilot program	\$ 10,800	\$ -	\$ 2,647
Grants	<u>-</u>	<u>10,000</u>	<u>-</u>
Total program revenues	<u>10,800</u>	<u>10,000</u>	<u>2,647</u>
General revenues, by major source			
Intergovernmental receipts	446,382	450,290	651,364
Miscellaneous	<u>61,880</u>	<u>27,826</u>	<u>160,587</u>
Total general revenues	<u>508,262</u>	<u>478,116</u>	<u>811,951</u>
Total revenues	<u>519,062</u>	<u>488,116</u>	<u>814,598</u>
Expenses			
Other expenses	<u>536,128</u>	<u>379,948</u>	<u>325,336</u>
Total expenses	<u>536,128</u>	<u>379,948</u>	<u>325,336</u>
Change in net assets before transfers	(17,066)	108,168	489,262
Transfers out	<u>(9,850)</u>	<u>(28,350)</u>	<u>(95,640)</u>
Change in net assets	<u>\$ (26,916)</u>	<u>\$ 79,818</u>	<u>\$ 393,622</u>

Future Outlook

With the downturn in the economy, the activity level of industrial prospects has continued to be sporadic in 2011 and although the second quarter of 2011 has shown prospect inquiries decreasing significantly, and activity in the third quarter rebounding, we expect that we will not see a return to 2007 levels until 2012. Inquiries from small to medium sized industries remain low to nearly non-existent, with the worst period being during the spring of 2009. However, interest from large industries, including international companies, has been continuing. Our focus for 2011-2012 is to continue to position ourselves to attract suppliers for these large industries to Roane County. We have completed several pre-development projects which we launched in partnership with Roane County to make sure our prime locations are as appealing as possible to potential new industries.

Requests for Information

This financial report is designed to provide a general overview of the Board's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to The Industrial Development Board of the County of Roane, Tennessee, 1209 N. Kentucky Street, Kingston, TN 37763.

THE INDUSTRIAL DEVELOPMENT BOARD
 OF THE COUNTY OF ROANE, TENNESSEE
 Statement of Net Assets
 June 30, 2011

ASSETS

Current Assets

Cash	\$ <u>847,303</u>
Total current assets	<u>847,303</u>

Capital Assets

Land and other non-depreciable assets	6,151,580
Other capital assets, net of accumulated depreciation	<u>106,000</u>
Total capital assets	<u>6,257,580</u>

Other Assets

Due from Roane Alliance, Inc.	21,242
Certificate of deposit	<u>159,645</u>
Total other assets	<u>180,887</u>

Total assets	\$ <u>7,285,770</u>
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LIABILITIES

Current Liabilities

Due to Roane Alliance, Inc.	\$ <u>65,781</u>
Total current liabilities	<u>65,781</u>

Long-term liabilities

Land sale deposits	133,175
Total long-term liabilities	<u>133,175</u>

Total liabilities	\$ <u>198,956</u>
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NET ASSETS

Invested in capital assets, net of related debt	\$ 6,257,580
Unrestricted	<u>829,234</u>
Total net assets	<u>\$ 7,086,814</u>

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Statement of Activities
Year ended June 30, 2011

	Program Revenues				Net Revenue (Expense) and Changes in Net Assets		
	Expenses	Charges for Services	Operating		Primary Government		
			Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Function/Programs							
Governmental activities	\$ 536,128	\$ -	\$ -	\$ (536,128)	\$ -	\$ -	\$ (536,128)
Total governmental activities	536,128	-	-	(536,128)	-	-	(536,128)
General Revenue							
Intergovernmental receipts				446,382	-	-	446,382
Logging proceeds				2,263	-	-	2,263
Pilot fees				10,800	-	-	10,800
Reimbursed expenses				41,864	-	-	41,864
Interest income				7,503	-	-	7,503
Miscellaneous revenue				10,250	-	-	10,250
Total general revenue				519,062	-	-	519,062
Payments to primary government				(9,850)	-	-	(9,850)
Change in net assets				(26,916)	-	-	(26,916)
Net assets at the beginning of the year				7,113,730	-	-	7,113,730
Net assets at the end of the year				\$ 7,086,814	\$ -	\$ -	\$ 7,086,814

See notes to financial statements.

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE

Balance Sheet -
Governmental Fund
June 30, 2011

ASSETS

Current Assets

Cash	\$ 847,303
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Total current assets	847,303
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Other Assets

Due from Roane Alliance, Inc.	21,242
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Certificate of deposit	<u>159,645</u>
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Total assets	<u>\$ 1,028,190</u>
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LIABILITIES AND FUND BALANCE

Current Liabilities

Due to Roane County	\$ -
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Due to Roane Alliance	<u>65,781</u>
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Total current liabilities	<u>65,781</u>
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Long-term liabilities

Land sale deposits	<u>133,175</u>
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Total long-term liabilities	<u>133,175</u>
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Total liabilities	<u>198,956</u>
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Fund balance

Unassigned	<u>829,234</u>
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Total liabilities and fund balance	<u>\$ 1,028,190</u>
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Reconciliation to the Statement of Net Assets

Total fund balance as shown above	\$ 829,234
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	<u>6,257,580</u>
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Net assets of governmental activities	<u>\$ 7,086,814</u>
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THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Fund
Year ended June 30, 2011

Revenues	
Intergovernmental receipts	\$ 446,382
Reimbursed expenses	41,864
Pilot fees	10,800
Interest income	7,503
Miscellaneous	400
Logging proceeds	<u>2,263</u>
Total revenues	<u>509,212</u>
Expenditures	
Logging	16,185
Payroll	129,016
Improvements	59,132
Advertising and marketing	37,228
Legal and professional	43,066
Repairs and maintenance	39,439
Miscellaneous	13,636
Insurance	19,357
Rent	12,000
Travel	8,485
Utilities	2,141
Equipment	3,546
Office	1,067
Pilot program	<u>1,740</u>
Total expenditures	<u>386,038</u>
Net change in fund balance	123,174
Fund balance at the beginning of the year	<u>706,060</u>
Fund balance at the end of the year	<u><u>829,234</u></u>

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balance (Continued)
Governmental Fund
Year ended June 30, 2011

Reconciliation to the Statement of Activities

Net change in fund balance \$ 123,174

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets reported as capital outlay in governmental fund statements	59,132
Additions to capital assets	-
Deductions from capital assets	(177,583)
Depreciation expense reported in the statement of activities	<u>(3,228)</u>
	<u>(121,679)</u>

In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the gain on the disposal is reported.

Proceeds from disposition of capital assets as reported on the governmental funds operating statement	(9,850)
Loss on disposition reported on the statement of activities	<u>(18,561)</u>
Book value of capital assets disposed of	<u>(28,411)</u>

Change in net assets of governmental activities \$ (26,916)

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Notes to Financial Statements
June 30, 2011

NOTE 1 - ORGANIZATION

The Industrial Development Board of the County of Roane, Tennessee, (the "Board"), is a non-profit corporation. It is incorporated under the provisions of the State of Tennessee, and is a component unit of the Roane County government and receives funding from various county funds. The function of the board is to attract and promote new industry for the county.

The Board is appointed by the County Commission. In addition, the majority of the funding for the Board is provided by the county. The Board is held responsible by the county for fiscal and operational matters. The county can exercise oversight, as it deems necessary.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with accounting principals generally accepted in the United States of America. The Board applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict pronouncements of the Governmental Accounting Standards Board (GASB), in which case, GASB prevails.

Reporting Entity - The Board is a component unit of the Roane County government, the primary government. It is made up of nine members appointed by the Roane County Commissioners of the primary government. The Board's relationship with the primary government is that the Board acts as a conduit for industrial development.

These financial statements present only the assets, liabilities, fund balance, and results of operations of the industrial fund. They are not intended to present the assets, liabilities, fund balances and results of operations of the County of Roane, Tennessee.

Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Basic Financial Statements - Government-Wide Statements - The Board's basic financial statements include both government-wide (reporting the Board as a whole) and fund financial statements (reporting the Board's major fund). The Board has only one fund, the General Fund.

In the government-wide Statement of Net Assets, the governmental activities are presented on a consolidated basis and are reported on the full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Board's net assets are reported in two parts - invested in capital assets, net of related debt, and unrestricted net assets, as applicable. When both unrestricted and restricted fund resources are available for use, it is the Board's policy to use restricted resources first.

The government-wide Statement of Activities reports both the gross and net costs of the Board's function. The function is also supported by the general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues. Program revenues must be directly associated with the function. Program revenues include 1) charges to customers who use or directly benefit from goods, services, or privileges provided by a given function or program and 2) grants and contributions for operational or capital requirements of a particular function or program. Other items not identifiable with a program are reported as general revenues.

This government-wide focus is more on the sustainability of the Board as an entity and the changes in the Board's net assets resulting from the current year's activities.

Accrual - Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basic Financial Statements - Fund Financial Statements - The financial transactions of the Board are reported in the general fund in the fund financial statements. The fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund is reported by generic classification within the financial statements.

The following fund type is used by the Board:

Governmental Fund - The focus of the governmental fund measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of the financial resources) rather than upon net income.

General Fund - The General Fund is the general operating fund of the Board. All financial resources are accounted for in the General Fund.

Modified Accrual - The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid sick pay, which is not accrued; and (2) principal and interest on general obligation long-term debt, which is recognized when due.

Budgets and Budgetary Accounting - The Board follows these procedures in establishing the budgetary data reflected in the financial statements:

- (1) Formal budgetary integration is employed as a management control device during the year for the General Fund. The budget is adopted on a basis consistent with generally accepted accounting principles.

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Net assets, net of related debt – 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.
- b. Unrestricted net assets – all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

The categories of fund balances are explained below:

Non-spendable fund balance includes amounts that cannot be spent because they are either not in spendable form (i.e., inventories) or legally or contractually required to be maintained intact (the corpus of a permanent fund). Non-spendable fund balance also includes the long-term portion of loans and notes receivable and property acquired for resale.

Restricted fund balances have constraints imposed by grantors, creditors, contributors, laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Committed fund balances result when the government's governing body imposes constraints through formal action of that body. Committed amounts cannot be used for any other purpose unless the government removes the constraint using the same type of action that was used to commit those amounts.

Assigned fund balances are constrained by the government's intent for those assigned amounts to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by the governing body, a body to which the governing body has delegated authority (i.e., a budget or finance committee), or an official that the governing body has designated.

Any residual fund balance remaining after all of the other categories of fund balance have been determined is categorized as unassigned fund balance.

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

Accounts Receivable - Accounts receivable consist primarily of amounts due from a related party. Amounts are reconciled monthly and assessed for collectability. Management does not believe an allowance for doubtful accounts is needed at June 30, 2011.

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

Capital Assets - Capital assets, which include property, plant and equipment assets, are reported in the government-wide financial statements. Capital assets are defined by the Board as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Water tanks / waterlines	40 Years
Furniture and fixtures	10 Years
Equipment	5 Years

Compensated Absences - Compensated absences are earned at a rate of one day per month for both sick leave and vacation time. Upon termination or retirement, all accumulated time is forfeited. On October 1, 2000, the employees of the Board became employees of the Community Development Council, Inc., which changed its name in June 2001, to The Roane Alliance, Inc. Therefore, no accrual for compensated absences has been reflected in the financial statements.

Reclassifications - Reclassifications have been made to the prior year's financial statement presentation to correspond to the current year's format. Total fund balance, net assets, and changes in fund balance and net assets were not effected due to these reclassifications.

NOTE 3 - CASH

State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of the deposits, less the amount as insured by federal deposit insurance. The collateral must be held by the Board or its agent in the Board's name, or by the Federal Reserve in the Board's name.

At June 30, 2011, the carrying amount of the Board's deposits was \$847,303.

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

NOTE 4 - LEASE

Beginning July 1, 2002, the Board began paying annual rent, which includes utilities, of \$12,000. This agreement was renewed on January 1, 2006 for a five year period ending December 31, 2011 with the rent set at \$1,000 per month.

NOTE 5 - LAND LEASE

The Board entered into a lease agreement with Dienamic Tooling Systems, Inc. ("Dienamic") on December 31, 2004. Dienamic paid the Board \$26,667 for three years as base rent and \$1 a year until December 31, 2021. The lessee has the option to purchase the leased property at any time for \$1.

NOTE 6 - RELATED PARTY TRANSACTIONS

Roane County Government is a related party of the Board. Transfers in the amount of \$387,250 was received from Roane County Government for the fiscal year ending June 30, 2011.

NOTE 7 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Board's risks of loss are covered by a commercial package insurance policy. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 8 - ECONOMIC DEPENDENCY

The Board receives nearly all of its operating funds from Roane County and its budget is set annually by Roane County.

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

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 is as follows:

	July 1, 2010	Additions	Disposals	Transfers	June 30, 2011
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 6,014,854	\$ 59,132	\$ 135,983	\$ -	\$ 5,938,003
Legal & Start Up - Macedonia	<u>213,577</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,577</u>
Total assets not being depreciated	<u>6,228,431</u>	<u>59,132</u>	<u>135,983</u>	<u>-</u>	<u>6,151,580</u>
Other capital assets					
Water tank	65,300	-	65,300	-	-
Furniture and fixtures	7,000	-	-	-	7,000
Office equipment	9,844	-	9,595	-	249
Improvements	<u>144,280</u>	<u>-</u>	<u>29,022</u>	<u>-</u>	<u>115,258</u>
Total other assets	<u>226,424</u>	<u>-</u>	<u>103,917</u>	<u>-</u>	<u>122,507</u>
Less accumulated depreciation for:					
Water tank	\$ (23,284)	\$ -	\$ 23,284	\$ -	-
Furniture and fixtures	(5,250)	700	-	-	(5,950)
Office equipment	(6,321)	516	6,704	-	(133)
Improvements	<u>(12,330)</u>	<u>2,012</u>	<u>3,918</u>	<u>-</u>	<u>(10,424)</u>
Total accumulated depreciation	<u>(47,185)</u>	<u>3,228</u>	<u>33,906</u>	<u>-</u>	<u>(16,507)</u>
Other capital assets, net	<u>179,239</u>	<u>3,228</u>	<u>137,823</u>	<u>-</u>	<u>106,000</u>
Governmental activities capital assets, net	<u>\$ 6,407,670</u>	<u>\$ 62,360</u>	<u>\$ 273,806</u>	<u>\$ -</u>	<u>\$ 6,257,580</u>

Depreciation was charged to functions as follows:

Governmental Activities	
General Government	<u>\$ 3,228</u>

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

NOTE 10 - OPERATING AGREEMENT

The Board has entered into a Joint Operating Agreement with the Roane County Chamber of Commerce. The Roane County Commission (Visitor's Bureau), and the Roane County Community Development Council are known as The Roane Alliance. On October 1, 2001, the Board's employees became employees of the Roane County Community Development Council, who changed their name to The Roane Alliance, Inc. in June 2001. As a result of the Joint Operating Agreement, the Roane Alliance receives a portion of the Industrial Board's annual budget to pay the following expenses:

- Salaries
- Payroll tax expense
- Health insurance
- Property and liability insurance
- Expenses related to business recruitment
- Auto expenses for the Industrial Commissioner

Beginning July 1, 2005 the Industrial Development Board changed this agreement and all funds were sent to the Industrial Development Board. The Roane Alliance paid the above noted expenses and billed the Industrial Development Board for their share.

NOTE 11 - SALE OF LAND

There was a land sale during the year ended June 30, 2011 for \$9,850. The sale had a land cost of \$26,159. The Board submits most proceeds from the sales of land to the Roane County Government. Some of the proceeds from land sales are used by the Board for legal and survey costs associated with the land sale.

NOTE 12 - DEFERRED REVENUE

The board has deferred revenue of \$133,175 at June 30, 2011. This deferred revenue represents deposits that have been received related to future land sales that were not completed as of June 30, 2011. The sales related to these deposits are not anticipated to be completed within the next operating cycle and, therefore, the deferred revenue is recognized as a long-term liability.

NOTE 13 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and temporary investments. The Company places its cash and temporary investments with financial institutions and, at times, such balances may exceed federally insured amounts. All of the Company's cash balances were fully insured at June 30, 2011 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and the Company's cash balances may again exceed federally insured limits.

NOTE 14 - SUBSEQUENT EVENTS

The Board has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2011 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through October 3, 2011.

SUPPLEMENTARY INFORMATION

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in
Fund Balance Budgetary Comparison Schedule
Year ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
General revenue				
Intergovernmental receipts	\$ 387,250	\$ 387,250	\$ 446,382	\$ 59,132
Pilot fees	3,500	3,500	10,800	7,300
Grants	1,500	1,500	-	(1,500)
Interest income	2,500	2,500	7,503	5,003
Logging proceeds	-	-	2,263	2,263
Miscellaneous	1,500	1,500	400	(1,100)
Reimbursed expenses	-	-	41,864	41,864
Total general revenues	<u>396,250</u>	<u>396,250</u>	<u>509,212</u>	<u>112,962</u>
Governmental activity expenditures				
Payroll	161,567	161,567	129,016	32,551
Improvements	-	-	59,132	(59,132)
Operating expense	28,058	28,058	31,050	(2,992)
Legal and professional	81,416	81,416	43,066	38,350
Repairs and maintenance	47,050	47,050	39,439	7,611
Advertising and marketing	62,917	62,917	37,228	25,689
Logging	-	-	16,185	(16,185)
Miscellaneous	-	-	13,636	(13,636)
Rent	12,000	12,000	12,000	-
Equipment	2,242	2,242	3,546	(1,304)
Pilot program	1,000	1,000	1,740	(740)
Total governmental activities	<u>396,250</u>	<u>396,250</u>	<u>386,038</u>	<u>10,212</u>
Excess revenues over expenditures	<u>-</u>	<u>-</u>	<u>123,174</u>	<u>123,174</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	\$ 123,174	<u>\$ 123,174</u>
Fund balance at the beginning of the year			<u>706,060</u>	
Fund balance at the end of the year			<u>\$ 829,234</u>	

Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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

We have audited the financial statements of the Industrial Development Board of the County of Roane, Tennessee, “a component unit of the Roane County Government”, as of and for the year ended June 30, 2011, and have issued our report thereon dated October 3, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Industrial Development Board of the County of Roane, Tennessee, “a component unit of the Roane County Government”, internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Industrial Development Board of the County of Roane, Tennessee, internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Industrial Development Board of the County of Roane, Tennessee’s, internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. We consider item 2011-1 to be a significant deficiency. 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.

Compliance and Other Matters

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

The Board's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Board's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Rodefer Mott & Co, PLLC". The signature is written in a cursive, flowing style.

Knoxville, Tennessee
October 3, 2011

THE INDUSTRIAL DEVELOPMENT BOARD
OF THE COUNTY OF ROANE, TENNESSEE
Schedule of Findings and Responses
Year Ended June 30, 2011

2011-1 Financial Statement and Footnote Preparation

CONDITION - An entity being audited is required to have sufficient internal control over financial reporting to allow management to prepare their own financial statements and footnotes in accordance with generally accepted accounting principles (GAAP). Due to limitations on staff size and resources, the Board's current internal control structure does not meet this requirement. Management obtains assistance from its external audit firm for the preparation of annual financial statements and footnotes in accordance with GAAP. Although this results in financial statements which are in accordance with GAAP, the external audit firm cannot and is not considered to be a part of the Board's internal control structure. This was also a finding in the 2010 audit.

RECOMMENDATION - The Board should consider whether it should obtain training for its staff to allow them to prepare financial statements in accordance with GAAP or continue to rely on others for this service.

MANAGEMENT'S RESPONSE - The Board is a small entity with limited resources. Management has determined that it is more cost efficient to obtain assistance from its external auditors for the preparation of the annual financial statements and footnotes in accordance with GAAP. Management will continue to review the financial statements and footnotes and take responsibility for them.