

THE INDUSTRIAL DEVELOPMENT BOARD OF RHEA COUNTY, TENNESSEE

FINANCIAL REPORT

JUNE 30, 2011

THE INDUSTRIAL DEVELOPMENT BOARD OF RHEA COUNTY, TENNESSEE
June 30, 2011

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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, 2011. 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 assets were \$140,362 for the fiscal year reported.
- Total net assets consist of the following:
 - (1) Net assets restricted for the Rhea County/Spring City Industrial Park of \$137,272.
 - (2) Unrestricted net assets of \$3,090.

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 Assets*. 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 assets. Over time, increases or decreases in net assets 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 assets 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 assets may be observed and used to discuss the changing financial position of the Board as a whole.

The Board's net income at year-end is \$15,953. The following table provides a summary of the Board's net assets at June 30:

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 144,864	\$ 124,409
Total assets	<u>144,864</u>	<u>124,409</u>
Current liabilities	<u>4,502</u>	<u>-</u>
Total liabilities	<u>4,502</u>	<u>-</u>
Net assets:		
Restricted for Rhea County/Spring City		
Industrial Park	137,272	121,287
Unrestricted	<u>3,090</u>	<u>3,122</u>
Total net assets	<u>\$ 140,362</u>	<u>\$ 124,409</u>

The Board's net assets increased during the fiscal year 2011 due to the receipt of royalties in accordance with a lease agreement.

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

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Revenues:		
Royalties	\$ 16,479	\$ -
Interest income	<u>1,855</u>	<u>3,147</u>
Total revenue	<u>18,334</u>	<u>3,147</u>
Expenses:		
Industrial development	<u>2,381</u>	<u>1,816</u>
Total expenses	<u>2,381</u>	<u>1,816</u>
Increase in net assets	15,953	1,331
Beginning net assets	<u>124,409</u>	<u>123,078</u>
Ending net assets	<u>\$ 140,362</u>	<u>\$ 124,409</u>

For the year ended June 30, 2011, revenues consisted of royalties received in accordance with a lease agreement and interest income. For the year ended June 30, 2010 revenues consisted of interest income. For the years ended June 30, 2011 and 2010, expenses consist of professional fees, office expense, advertising and miscellaneous expenses.

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. Governmental funds reported an ending fund balance of \$140,362 of which \$137,272 is restricted for the Rhea County/Spring City Industrial Park. The remaining fund balance of \$3,090 is unassigned, indicating availability for continuing Board requirements.

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Industrial Development Board of
Rhea County, Tennessee
Dayton, 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, 2011 and 2010, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Industrial Development Board of Rhea County, Tennessee's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audits 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 audits provide a reasonable basis for our 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, 2011 and 2010, and the respective changes in financial position, thereof 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 September 17, 2011, on our consideration of the Industrial Development 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* 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 1 through 4 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.

Harry Bied : Amable PLLC

Cleveland, Tennessee
September 17, 2011

THE INDUSTRIAL DEVELOPMENT BOARD OF RHEA COUNTY, TENNESSEE
 STATEMENTS OF NET ASSETS
 June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets		
Cash in bank	\$ 140,467	\$ 124,409
Royalties receivable	<u>4,397</u>	<u>-</u>
Total Current Assets	<u>144,864</u>	<u>124,409</u>
Total Assets	<u>\$ 144,864</u>	<u>\$ 124,409</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Payable to Rhea County/Spring City	\$ 4,502	\$ -
Total Current Liabilities	<u>4,502</u>	<u>-</u>
 NET ASSETS		
Restricted for:		
Rhea County/Spring City Industrial Park	137,272	121,287
Unrestricted	<u>3,090</u>	<u>3,122</u>
Total Net Assets	<u>140,362</u>	<u>124,409</u>
Total Liabilities and Net Assets	<u>\$ 144,864</u>	<u>\$ 124,409</u>

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Expenses:		
Industrial development	\$ 2,381	\$ 1,816
Total expenses	<u>2,381</u>	<u>1,816</u>
Program revenues:		
Royalties	16,479	-
Interest income	<u>1,855</u>	<u>3,147</u>
	<u>18,334</u>	<u>3,147</u>
Change in net assets	15,953	1,331
Net assets, beginning	<u>124,409</u>	<u>123,078</u>
Net assets, ending	<u>\$ 140,362</u>	<u>\$ 124,409</u>

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current Assets:		
Cash in bank - general fund	\$ 3,090	\$ 3,122
Cash in bank - restricted	137,377	121,287
Royalties receivable	4,397	-
	<u>144,864</u>	<u>124,409</u>
 Total Assets	 <u>\$ 144,864</u>	 <u>\$ 124,409</u>
 LIABILITIES AND FUND BALANCES		
Current Liabilities:		
Payable to Rhea County/Spring City	\$ 4,502	\$ -
	<u>4,502</u>	<u>-</u>
Fund balances:		
Restricted for:		
Rhea County/Spring City Industrial Park	137,272	121,287
Unassigned	3,090	3,122
	<u>140,362</u>	<u>124,409</u>
 Total Fund Balances	 <u>140,362</u>	 <u>124,409</u>
 Total Liabilities and Fund Balances	 <u>\$ 144,864</u>	 <u>\$ 124,409</u>

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, 2011 and 2010

	2011	2010
REVENUES		
Royalties	\$ 16,479	\$ -
Interest income	1,855	3,147
Total Revenues	18,334	3,147
EXPENDITURES		
Advertising and promotion	118	595
Professional fees	1,923	1,187
Office expense	242	14
Miscellaneous expense	98	20
Total Expenditures	2,381	1,816
Excess of revenues over expenditures	15,953	1,331
Fund balance, beginning of year	124,409	123,078
Fund balance, end of year	\$ 140,362	\$ 124,409

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

THE INDUSTRIAL DEVELOPMENT BOARD OF RHEA COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

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

The Board 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.

Summary of Significant Accounting Policies

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 following significant accounting policies were applied in the preparation of the accompanying financial statements:

- C. Reporting Entity - The Board's general purpose financial statements include the accounts of all Board operations.
- C. Government-Wide and Fund Financial Statements - The government-wide financial statements (i.e, the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Board.

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. Major individual governmental funds are reported as separate columns in the financial statements.

- C. Measurement Focus, Basis of Accounting and Financial Statement Presentation - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

THE INDUSTRIAL DEVELOPMENT BOARD OF RHEA COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Board considers revenues collectible if they are collected within sixty days of the end of the fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Board funds certain projects by a combination of restricted revenues and general revenues. Thus when project expenses are incurred, for which there are both restricted and unrestricted net assets available to finance the project, it is the Board's policy to first apply restricted revenues to such projects and then by general revenues. The Board of Directors is authorized to assign fund balance by vote at board meetings. When an expenditure is incurred for purposes in which any amounts in unrestricted fund balance could be used, assigned amounts are considered to be spent first.

Fund Accounting - The Board uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Board currently uses only one governmental fund.

Governmental Funds - Governmental funds are those through which 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. The difference between governmental fund assets and liabilities is reported as fund balance. When both assigned and unassigned resources are available for use, it is the Board's policy to use assigned resources first, then unassigned as they are needed.

Governmental Funds

The Board reports the following major 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.

THE INDUSTRIAL DEVELOPMENT BOARD OF RHEA COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

D. Cash and Cash Equivalents
For the purpose of reporting cash flows, cash equivalents include all demand, savings accounts and certificates of deposit of the Board.

E. 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.

F. 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.

G. Net Assets
Net assets present the difference between assets and liabilities in the statement of net assets.

H. 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.

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

THE INDUSTRIAL DEVELOPMENT BOARD OF RHEA COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - GENERAL STATEMENT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

- J. Advertising
Advertising costs are charged to expense as incurred.

NOTE 2 – CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

The Board maintains cash balances at a local financial institution. At year end the Board had demand deposits with a carrying amount and bank balance of \$140,467 and \$124,409, as of June 30, 2011 and 2010, 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, 2011 and 2010, the tax increment financing agreement outstanding principal amount payable was \$308,632 and \$344,399, respectively.

THE INDUSTRIAL DEVELOPMENT BOARD OF RHEA COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 5 – RESTRICTED NET ASSETS 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.

INTERNAL CONTROL AND COMPLIANCE

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

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

We have audited 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, 2011 and 2010, which collectively comprise the Industrial Development Board of Rhea County, Tennessee's basic financial statements and have issued our report thereon dated September 17, 2011. We conducted our audits 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 Rhea County, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Industrial Development Board of Rhea County, 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 recommendations that we consider to be significant deficiencies in internal control over financial reporting: 2011-1. 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 Rhea County, 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*.

We noted certain matters that we reported to management of the Industrial Development Board of Rhea County, Tennessee, in a separate letter dated September 17, 2011.

The 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. We did not audit the Industrial Development Board of Rhea County, Tennessee's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, board of directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Cleveland, Tennessee
September 17, 2011

THE INDUSTRIAL DEVELOPMENT BOARD OF RHEA COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2011 and 2010

The findings and recommendations as a result of the audit of the Industrial Development Board of Rhea County, Tennessee are presented below.

2011-1: 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.