

**INDUSTRIAL DEVELOPMENT BOARD**  
**OF THE COUNTY OF HICKMAN**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**

(With Independent Auditor's Report Thereon)

**INDUSTRIAL DEVELOPMENT BOARD**  
**OF THE COUNTY OF HICKMAN**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

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**INTRODUCTORY SECTION**

**INDUSTRIAL DEVELOPMENT BOARD**  
**OF THE COUNTY OF HICKMAN**  
**SCHEDULE OF BOARD OFFICIALS**  
**DECEMBER 31, 2009**

**BOARD MEMBERS**

Steve Turner - President

David Hunt - Secretary Treasurer

Chris Chilton

Vicky Moore

Dusty Jordan

Joe Harper

Jim Griffin

Norman Ballard

Mike Weesner

Monica Baker

Steve Gregory – ex officio

Daryl Phillips – ex officio

**INDUSTRIAL DEVELOPMENT BOARD**  
**OF THE COUNTY OF HICKMAN**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2009**

As management of the Industrial Development Board of the County of Hickman (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 December 31, 2009.

**OVERVIEW OF THE FINANCIAL STATEMENTS:**

This Management Discussion and Analysis document introduces the Board's basic financial statements. The annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (Government-wide Financial Statements) provide information about financial activities as a whole and illustrate the longer-term view of the Board's finances. The Governmental Fund Balance Sheet and Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance (Fund Financial Statements) tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the operations in more detail than the Government-wide financial statements by providing information about the most significant funds. Our auditors have provided assurance in their independent auditor's report that the Basic Financial Statements are fairly stated. The auditors regarding the Required Supplemental Information are providing varying degrees of assurance. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the Financial Section.

**NOTES TO THE FINANCIAL STATEMENTS:**

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, assets in the amount of \$1,830,476 of the Board's exceeded liabilities by \$1,190,939.

The balance in unrestricted net assets represents the difference of all assets minus all liabilities. It does not represent the amount of cash on hand.

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

The Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the governmental funds is to provide information on inflows, outflows, and balances of expendable resources. Such information is useful in assessing the financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending as of the end of the fiscal year.

During the year ended December 31, 2009, the Board had total revenue of \$29,794, none of which were contributions from Hickman County, Tennessee. The entity also had total monetary expenditures in the amount of \$323,410.

**DEBT ADMINISTRATION**

At December 31, 2009, the Board had \$639,537 in liabilities, \$376,566 of which was long-term debt. The long-term debt is down \$33,315 from \$409,881 at December 31, 2008.

**INDUSTRIAL DEVELOPMENT BOARD**  
**OF THE COUNTY OF HICKMAN**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2009**

PROPERTY HELD FOR SALE OR LEASE

Under generally accepted accounting principles (GAAP), there are nine properties held available for sale as of December 31, 2009. These properties are listed below:

<u>Address</u>	<u>Acres</u>
Highway 7	14.05 acres available
Highway 48 North	101.70 acres available
Industrial Drive 800	16.10 acres available
Rivers Road	16.10 acres available
Rivers Road	32.20 acres available
Rivers Road	8.70 acres available
Skyview Drive	3.30 acres available
Highway 50	47.20 acres available
Atys Way	1.25 acres available

There is one additional parcel of land that is deeded in the name of the Board. It is properly not recorded on the financial statements in accordance with GAAP as a direct-financing lease.

ECONOMIC FACTORS AND FUTURE PERIODS

The Board's overall intent is to identify new land available for purchase, which will help to attract new industries to Hickman County. A conflict has recently arisen between Hickman County and the Board over the earnings that are owed to the County by the Board. As of the date of the financial statements, the Board has calculated an amount due to the County in accordance with Tennessee Code Annotated. In December 2009, Hickman County refused an offered payment of approximately \$199,000 for payment of net earnings. It is uncertain how the County and the Board will ultimately settle this dispute.

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 Hickman  
Hickman County Government Executive's Office  
Administration Building  
114 N. Central Ave.  
Centerville, TN 37033

**FINANCIAL SECTION**



Charles Akersloot, III  
Lisa L. Patterson  
Sarah C. Hardee

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Industrial Development Board of the County of Hickman

We have audited the accompanying financial statements of the governmental activities and the major fund of the Industrial Development Board of the County of Hickman (the Board), a component unity of Hickman County, Tennessee, as of and for the year ended December 31, 2009, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Industrial Development Board of the County of Hickman as of December 31, 2009, 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 January 22, 2010 on our consideration of the Board'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.

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

APU, CPAs

January 22, 2010

**INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF HICKMAN**  
**GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2009**

	<u>Governmental</u> <u>Fund</u>	<u>Adjustments</u>	<u>Statement of</u> <u>Net Assets</u>
<u>Assets</u>			
Cash	\$ 574,125	\$ -	\$ 574,125
Certificates of deposit	161,797	-	161,797
Lease receivable, net	376,566	-	376,566
Property held for sale	<u>717,988</u>	<u>-</u>	<u>717,988</u>
 Total assets	 <u>\$ 1,830,476</u>	 <u>\$ -</u>	 <u>\$ 1,830,476</u>
<u>Liabilities</u>			
Liabilities:			
Accounts payable	\$ 65,570	\$ -	\$ 65,570
Due to Hickman County	197,401	-	197,401
Noncurrent liabilities:			
Due within one year	-	34,447	34,447
Due in more than one year	<u>-</u>	<u>342,119</u>	<u>342,119</u>
Total liabilities	<u>262,971</u>	<u>376,566</u>	<u>639,537</u>
<u>Fund balances/Net assets</u>			
Fund Balances:			
Reserved for:			
Property held for sale or lease	717,988		
Unreserved	<u>849,517</u>		
Total fund balances	<u>1,567,505</u>		
 Total liabilities and fund balances	 <u>\$ 1,830,476</u>		
Net Assets:			
Unrestricted			<u>1,190,939</u>
Total net assets			<u>1,190,939</u>
 Total liabilities and net assets			 <u>\$ 1,830,476</u>

See accompanying notes to financial statements.

**INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF HICKMAN**  
**STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental <u>Fund</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
Other Financing Sources:			
PILOT income	\$ 2,235	\$ -	\$ 2,235
Interest income	<u>27,559</u>	<u>-</u>	<u>27,559</u>
 Total other financing sources	 <u>29,794</u>	 <u>-</u>	 <u>29,794</u>
Expenditures/Expenses:			
Current:			
Accounting	15,655	-	15,655
Advertising	50,092	-	50,092
Hickman County net earnings expense (See Note 4)	197,401	-	197,401
Legal and professional	3,170	-	3,170
Meals	485	-	485
Repairs and maintenance	400	-	400
Taxes and licenses	20	-	20
Debt service:			
Principal	33,315	(33,315)	-
Interest	<u>22,872</u>	<u>-</u>	<u>22,872</u>
Total expenditures/expenses	<u>323,410</u>	<u>(33,315)</u>	<u>290,095</u>
 Excess of expenditures over revenues/change in net assets	 (293,616)	 33,315	 (260,301)
Fund Balance/Net Assets:			
Beginning of year	<u>1,861,121</u>	<u>-</u>	<u>1,451,240</u>
 End of year	 <u>\$ 1,567,505</u>	 <u>\$ -</u>	 <u>\$ 1,190,939</u>

See accompanying notes to financial statements.

**INDUSTRIAL DEVELOPMENT BOARD**  
**OF THE COUNTY OF HICKMAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

NOTE 1 - Summary of significant accounting policies

The Industrial Development Board of the County of Hickman (the Board) is a nonprofit corporate agency and instrumentality of Hickman County, Tennessee, organized under Title 7, Chapter 53 of the Tennessee Code Annotated. The Board was incorporated in 1962. The purpose of the Board is to promote industry and develop trade for Hickman County, Tennessee.

The Board is a component unit of Hickman County, Tennessee, which is the principal reporting entity and the primary government. The County is responsible for appointing all of the Board's board of directors and provides its primary funding support.

The Board applies all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board pronouncements, unless those pronouncements or opinions conflict with or contradict GASB pronouncements. The Board is treated as a discrete component unit of Hickman County since Hickman County may unilaterally control the operations of the Board. The financial reporting entity of the Board only includes the assets and operations of the Board and does not include any other fund, organization, institution, agency, department, or office of Hickman County, the primary government.

Government-Wide Statements

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

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

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of debt is included in the same net assets component as the unspent proceeds. The Board has no capital assets at December 31, 2009.

Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The Board has no restricted net assets at December 31, 2009.

Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when 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.

**INDUSTRIAL DEVELOPMENT BOARD**  
**OF THE COUNTY OF HICKMAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

NOTE 1 - Summary of significant accounting policies (continued)

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

General Fund - This fund is used as the general operating fund of the Board, which is used to account for all financial resources of the Board.

Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts or revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property Held for Sale or Lease

Property held for sale or lease is recorded at cost, when available. All donated property is recorded at the estimated fair market value of the land on the date of donation. The cost of property sold is charged to expense using the specific identification method.

Investments

Investments and other deposits are restricted by State law to deposits with financial institutions and certain obligations guaranteed by the United States Government. Investments consist of certificates of deposit in local banks with stated interest rates and are recorded at fair market value.

Federal and State Income Taxes

The Board is exempt from federal and state income tax.

Concentration of Credit Risk

At December 31, 2009, and at various times throughout the year, the Company had cash balances at a bank in excess of \$250,000, all of which is insured by the FDIC or the State of Tennessee Collateral Pool.

NOTE 2 - Certificates of Deposit

At December 31, 2009, certificates of deposit consisted of the following:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Certificate of deposit	1.75%	October 19, 2010	\$ 36,850
Certificate of deposit	2.00%	December 1, 2010	37,019
Certificate of deposit	2.00%	June 9, 2010	60,000
Certificate of deposit	2.00%	October 19, 2010	<u>27,928</u>
			<u>\$ 161,797</u>

**INDUSTRIAL DEVELOPMENT BOARD**  
**OF THE COUNTY OF HICKMAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

NOTE 3 - Property Held for Sale or Lease

The Board owns approximately 250 acres of land in Hickman County, Tennessee, as of December 31, 2009.

<u>Address</u>	<u>Acres</u>	<u>Amount</u>
Highway 7	14.05 acres available	\$ 48,400
Highway 48 North	101.70 acres available	350,000
Industrial Drive 800	16.10 acres available	27,000
Rivers Road	16.10 acres available	604
Rivers Road	32.20 acres available	1,208
Rivers Road	8.70 acres available	326
Skyview Drive	3.30 acres available	33,000
Highway 50	47.20 acres available	247,850
Atys Way	1.25 acres available	9,600
Total Value		<u>\$ 717,988</u>

NOTE 4 - Commitments and Contingencies

The Board has received parcels of land from Hickman County. A reduction of support by the County could have a significant effect on the future operations of the Board.

As of December 31, 2009, the Board has offered a portion of land to Centerville Forge. It is uncertain if Centerville Forge will take possession of the property.

As of December 31, 2009, the Board has offered Diamond Gusset Jeans an option to buy 14.05 acres of land at \$10,000 per acre. Diamond Gusset Jeans has made a verbal indication that they will buy the land. The option to purchase the land expires in March 2010.

During the year ended December 31, 2009, a dispute arose between the Board and the Hickman County Board of Commissioners over payments due to the County. Under Tennessee Code Annotated, an Industrial Board is required to pay "net earnings" back to a county after a sufficient provision has been made for full payment of the expenses and other obligations of the Board. The County has refused the Board's payments to date. The accompanying financial statements include a payable totaling \$197,401. Such payable has been calculated by management in accordance with the Tennessee Code Annotated, Title 7 Chapter 53 Section 308.

The Hickman County Board of Commissioners has also attempted to fire the members of the Board, but management believes this action is unlawful according to the Tennessee Code Annotated and the Board's bylaws.

NOTE 5 - Payments in Lieu of Taxes (PILOT Program)

Hickman County has delegated to the Board the authority to negotiate and accept from the Board's lessee's payments in lieu of ad valorem taxes (PILOT). This can only be done if the payments in lieu of ad valorem taxes further the Board's public purpose and if the agreement entered into by the Board does not exceed 20 years from the date of the contract. Hickman County may require the Board to submit any agreements to the County for approval.

**INDUSTRIAL DEVELOPMENT BOARD**  
**OF THE COUNTY OF HICKMAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

NOTE 5 - Payments in Lieu of Taxes (PILOT Program) (Continued)

Lessees are required to file a property report by October 1<sup>st</sup> each year to the State Board of Equalization. A copy of this report is to be filed with the local property assessor's office by October 15<sup>th</sup> of each year.

Also, any payment in lieu of taxes (up to the amount of actual ad valorem taxes that would be due) shall become a first lien upon the leased property from January 1 of the year in which such payment in lieu of taxes on lease payments is due.

NOTE 6 - Budget

The Board's bylaws do not require an annual budget. No budget was prepared for the year ended December 31, 2009, and therefore, no budgetary comparisons are presented. The "encumbrance" method of budgeting and accounting for expenditures is not used.

NOTE 7 - Long-term Debt

A summary of long-term debt is as follows:

	<u>2009</u>	<u>2008</u>
Note payable to First Farmers and Merchants Bank, payable in monthly installments of \$4,617, Including interest at 5.75% through September 2018. Note is secured by a deed of trust for property in Hickman County, Tennessee.	\$ 376,566	\$ 409,881
Less: current portion	(34,447)	(33,315)
	\$ 342,119	\$ 376,566

Changes in long-term debt (including current portion) for the year ended December 31, 2009, were as follows:

Balance December 31, 2008	Increases	Decreases	Balance December 31, 2009	Estimated Amount Due in the Year Ending December 31, 2010
\$ 409,881	\$ -	\$ 33,315	\$ 376,566	\$ 34,447

The future maturities of long-term debt are as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Total</u> <u>Principal</u>	<u>Total</u> <u>Interest</u>
2010	\$ 34,447	\$ 20,951
2011	36,481	18,917
2012	38,635	16,763
2013	40,916	14,482
2014	43,331	12,067
Thereafter	182,756	23,014
	\$ 376,566	\$ 106,194

**INDUSTRIAL DEVELOPMENT BOARD**  
**OF THE COUNTY OF HICKMAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

NOTE 8 - Adjustments to Governmental Fund Statements

Governmental Fund Balance Sheet to the Statement of Net Assets:

The Statement of Net Assets includes the debt related to the capital assets among the liabilities of the Board, while the governmental Fund Balance Sheet does not.

Current portion of notes payable	\$ 34,447	
Long-term portion of notes payable	<u>342,119</u>	
	<u>\$ 376,566</u>	

Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities

Governmental funds record borrowings as revenue and the principal portion of debt repayment as an expense, while the Statement of Net Assets records borrowings as a liability and the Statement of Activities records the interest portion of payments as an expense.

Debt service principal	\$ 33,315	
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NOTE 9 - Lease Receivable

On August 1, 2000, the Board entered into a property financing lease contract with Sole Supports, Inc. (Sole Supports). The lease began September 1, 2000, and ends on August 31, 2015. Based on the terms of the lease, a note was obtained from a lender, the proceeds of which were given to Sole Supports for construction of a building. This building has been completed in agreement with the terms of the lease. Sole Supports makes monthly payments on the note for \$4,617 directly to the lender. The Board records both a net lease receivable from Sole Supports and a note payable due to the lender. Also, the Board records interest income earned from Sole Supports along with interest expense attributable to the debt incurred for the project.

Future cash flows from this lease contract are expected to be as follows:

For the year ending <u>December 31,</u>		
2010	\$ 55,398	
2011	55,398	
2012	55,398	
2013	55,398	
2014	55,398	
Thereafter	<u>205,770</u>	
Total	482,760	
Less: interest portion of lease receivable	<u>( 106,194)</u>	
	<u>\$ 376,566</u>	

**INDUSTRIAL DEVELOPMENT BOARD**  
**OF THE COUNTY OF HICKMAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2009**

NOTE 10 - Exposure

The Board is included under the County coverage for the risks of losses to which it is exposed. These risks include general liability and property and casualty. There are currently no claims against existing insurance policies.

NOTE 11 - Subsequent Events

The Board has evaluated events subsequent to the year ending December 31, 2009. As of January 22, 2010, the date that the financial statements were available to be issued, no events subsequent to the balance sheet date are considered necessary to be included in the financial statements for the period ended December 31, 2009.

**INTERNAL CONTROL AND COMPLIANCE SECTION**



Charles Akersloot, III  
Lisa L. Patterson  
Sarah C. Hardee

**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**

January 22, 2010

To the Board of Directors  
Industrial Development Board  
of the County of Hickman

We have audited the financial statements of the governmental activities and major fund of the Industrial Development Board of the County of Hickman (the Board), a component unit of Hickman County, Tennessee, as of and for the year ended December 31, 2009, and have issued our report thereon dated January 22, 2010. 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 Board's 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 Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 misstatement 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 Board's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 2009-1 and 2009-3 to be material weaknesses.

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. We consider the 2009-2 deficiency to be a significant deficiency.

2009-1 Management oversight of financial reporting

Criteria: Financial statements for all governmental component units are required to be prepared in accordance with generally accepted accounting principles (GAAP).

Condition: During our audit, we discovered that the financial statements were incomplete. The value of the property that the Industrial Development Board of the County of Hickman owns was incomplete and debt was not recorded. Five adjustments were made to adjust the financial statements in accordance with GAAP.

Questioned

Costs: No cost is associated with this condition.

Perspective

Information: The Board has hired a local accounting firm to prepare quarterly compilations and to provide bookkeeping services. These compilations are prepared on a cash basis to assist in management decisions.

Effect: Financial statements that are not prepared in accordance with GAAP are less useful to the Board and provide little information to the other users of the financial statements.

Recommendation:

We recommend that management implement review procedures to ensure that all items are recorded and reported in conformity with GAAP.

Management's

Response: Management will continue to gain knowledge as it relates to proper financial reporting and strive to maintain complete and accurate financial records.

2009-2 Noncompliance of annual audit

Criteria: An audit is required for all government component units under Tennessee Code Annotated 6-56-105.

Condition: No audit has been performed on the Industrial Development Board of the County of Hickman since 1993.

Questioned

Costs: No cost is associated with this condition.

Perspective

Information: The Board was unaware that an audited financial statement was required to be submitted to the State of Tennessee Comptroller of the Treasury. In addition, no audit was requested from the State of Tennessee Comptroller of the Treasury.

Effect: Audited financial statements have not been prepared since 1993.

Recommendation:

We recommend that the Industrial Development Board of the County of Hickman have an annual audit to comply with state law.

Management's

Response: The Industrial Development Board of the County of Hickman plans to have an audit performed each year.

2009-3 Financial statement preparation

Criteria: Under standards promulgated by the American Institute of Certified Public Accountants, there is a presumed deficiency in internal control when the financial statements and related disclosures are drafted by the auditor, unless the function was performed by the auditor as an accommodation to management.

Condition: The Industrial Development Board of the County of Hickman provided financial information to us in the form of quarterly compilations prepared by their bookkeeper. We proposed adjustments and then drafted the financial statements.

Questioned

Costs: No cost is associated with this condition.

Perspective

Information: While management did not prepare the financial statements they do have sufficient financial knowledge to understand the financial statements and have accepted responsibility for them.

Effect: Financial statements are not regularly prepared by management.

Recommendation:

We recommend that management implement review procedures to ensure that the financial statements are prepared in conformity with generally accepted accounting principles.

Management's

Response: A cost-benefit analysis of the financial reporting process deemed it cost-prohibitive to obtain third-party assistance to prepare complete financial statements and footnotes in accordance with generally accepted accounting principles prior to the independent audit.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board'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 these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance or other matters that is required to be reported under Governmental Auditing Standards and is described in item 2009-2.

We noted certain other matters that we reported to the management of the Industrial Development Board of the County of Hickman, in a separate letter dated January 22, 2010

The Board's responses to the findings identified in our audit are listed above. We did not audit the Board's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors and the State of Tennessee Comptroller of the Treasury and is not intended to be and should not be used by anyone other than these specified parties.

APA, CPAs

