

GAINESBORO PORT AUTHORITY
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2009

HUGH W. SMITH, SR.
CERTIFIED PUBLIC ACCOUNTANT



America Counts on CPAs

Gainesboro Port Authority

JUNE 30, 2009

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Independent Auditor's Report

To the Board of Commissioners of the
Gainesboro Port Authority
Gainesboro, Tennessee

I have audited the accompanying financial statements of the Gainesboro Port Authority, as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Gainesboro Port Authority management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Gainesboro Port Authority as of June 30, 2009, and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 22, 2009, on my consideration of Gainesboro Port Authority internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of 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 my audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board; however, management has chosen to exclude this information.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Gainesboro Port Authority basic financial statements. The supplementary information, as listed in the table of contents, is presented for the purpose of additional analysis, and is not a required part of the basic financial statements. The supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

December 22, 2009
Red Boiling Springs, Tennessee



Gainesboro Port Authority
Statement of Net Assets
June 30, 2009

Assets

Current Assets

| | | | |
|-------------------------|--|----|--------------|
| Cash & Cash Equivalents | | \$ | 3,175 |
| Total Current Assets | | \$ | <u>3,175</u> |

Fixed Assets

| | | | |
|--------------------------|----|------------------|----------------|
| Land | \$ | 61,777 | |
| Warning Lights | | 1,554 | |
| Port cells | | 350,116 | |
| Accumulated Depreciation | | <u>(183,613)</u> | |
| Total Fixed Assets | | | <u>229,834</u> |

| | | | |
|---------------------|--|----|-----------------------|
| Total Assets | | \$ | <u><u>233,009</u></u> |
|---------------------|--|----|-----------------------|

Liabilities and Net Assets

| | | | |
|-------------|--|----|----------|
| Liabilities | | \$ | <u>0</u> |
|-------------|--|----|----------|

Net Assets

| | | | |
|----------------------------|----|--------------|----------------|
| Invested in Capital Assets | \$ | 229,834 | |
| Unrestricted Net Assets | | <u>3,175</u> | <u>233,009</u> |

| | | | |
|-------------------------|--|----|-----------------------|
| Total Net Assets | | \$ | <u><u>233,009</u></u> |
|-------------------------|--|----|-----------------------|

See Accompanying Notes to the Financial Statements

Gainesboro Port Authority
Statement of Revenues, Expenses, and Changes in Fund Net Assets
year ended June 30, 2009

| | | |
|---|----------|------------|
| Operating Revenue | | |
| Rent and royalty income | \$ 1,000 | |
| Total operating revenue | | \$ 1,000 |
| Operating Expenses | | |
| Administrative fees | 2,100 | |
| Professional fees | 700 | |
| Office Expense | 42 | |
| Repair and maintenance | 0 | |
| Utilities | 85 | |
| Depreciation | 7,002 | |
| Total Operating Expenses | | (9,929) |
| Net Operating Income (Loss) | | (8,929) |
| Nonoperating Revenues (Expenses) | | |
| | | 0 |
| Increase (Decrease in Net Assets) | | (8,929) |
| Net Assets Beginning | | 241,938 |
| Net Assets Ending | | \$ 233,009 |

See Accompanying Notes to the Financial Statements

Gainesboro Port Authority
Statement of Cash Flows
June 30, 2009

Cash Flows From Operating Activities:

| | | |
|--|----------------|-------------------|
| Cash received from Operations | \$ 1,000 | |
| Cash payments for Goods and Services | (127) | |
| Cash payments for professional & administration fees | <u>(2,800)</u> | |
| Net Cash Provided by Operating Activities | | \$ <u>(1,927)</u> |

Net Increase (Decrease) in Cash and Cash Equivalents (1,927)

Cash and Cash Equivalents at June 30, 2008 5,102

Cash and Cash Equivalents at June 30, 2009 \$ 3,175

**Reconciliation of Net Operating Income (Loss) to Net Cash
Used by Operating Activities:**

| | | |
|--|------------|-------------------|
| Net Operating Income (Loss) | \$ (8,929) | |
| Depreciation | 7,002 | |
| (Increase) Decrease in Accounts Receivable | 0 | |
| (Increase) Decrease in Prepaid expenses | 0 | |
| Increase (Decrease) in Accounts Payable | <u>0</u> | |
| | | \$ <u>(1,927)</u> |

See Accompanying Notes to the Financial Statements

Gainesboro Port Authority
Notes to the Financial Statements
June 30, 2009

Note 1. Summary of Significant Accounting Policies

Organization

The Gainesboro Port Authority was created by the General Assembly of the State of Tennessee pursuant to Private Chapter 59, House Bill 740 of the Private Acts of 1981. The Authority was organized to develop a complex of adjacent terminal facilities. The site presently provides minimal facilities, and is not operational.

The Authority is governed by a board of five Commissioners. Two members are appointed by the County Court of Jackson County, and two members are appointed by the Mayor and Board of Alderman of the Town of Gainesboro, Tennessee. The fifth member is elected by the other four members. A listing of the incumbent Board of commissioners is included in the supplementary information section of this report.

Basis of Accounting

The Authority uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governments (GASB 34 Edition)*, and by the Financial Accounting Standards Board. As allowed in Section P80 of GASB's Codification of *Governmental Accounting and Financial Reporting Standards*, the Board has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989.

Capital Assets – Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Authority does not have a minimum capitalization value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Fixed assets of the District are depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|--------------------------|--------------|
| Buildings & Improvements | 50 |
| Equipment | 10 |

Major Source of Revenue- The Authority has not operated for several years, therefore, it does not have any source of operating revenue.

Budget- The Authority has not been operational for several years. Therefore, no budgets have been adopted.

Note 2. Deposits and Investments

The Districts cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

At year end, the Authority's carrying amount of deposits was \$3,175.10 and the bank balance was \$3,175.10. Of the bank balance \$3,175.10 was covered by federal depository insurance.

The Municipality follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The Authority's cash deposits are made in qualified public depositories, and may be in the form of demand or time deposits. Qualified depositories are required to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in Tennessee.

Note 3. Risk Management

The Authority does not have insurance of any type.

Note 4. Calculation of Invested in Capital Assets

| | |
|-------------------------------------|----------------------|
| Net Fixed Assets | \$ 229,834.00 |
| Noncurrent Debt | .00 |
| Capital Assets, Net of Related Debt | <u>\$ 229,834.00</u> |

Note 5. Fixed Assets

Fixed asset activity for the year ended June 30, 2009 was as follows:

| <u>Asset</u> | <u>Beginning</u> <u>Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending</u> <u>Balance</u> |
|--------------------------------|------------------------------------|-----------------|-----------------|---------------------------------|
| Land | \$ 61,777 | | | \$ 61,777 |
| Warning lights | 1,554 | | | 1,554 |
| Port cells | <u>350,116</u> | | | <u>350,116</u> |
| Total assets being depreciated | 413,447 | 0 | 0 | 413,447 |
| Less accumulated depreciation | | | | |
| Warning lights | (1,554) | | | (1,554) |
| Port cells | <u>(175,057)</u> | <u>(7,002)</u> | | <u>(182,059)</u> |
| Total accumulated depreciation | (176,611) | (7,002) | 0 | (183,613) |
| Total Fixed Assets, net | \$ <u>236,836</u> | <u>(7,002)</u> | <u>0</u> | \$ <u>229,834</u> |

**Gainesboro Port Authority
Roster of Commissioners
June 30, 2009**

Benton Quarles, Chairman
Lakeland Barham
Jerry Spivey
Wes Cassetty
Jack Reeve

Port Administrator:

Bill Mitchell

Hugh W. Smith, Sr.
Certified Public Accountant

Member of the American Institute of Certified Public Accountants

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

To the Board of Commissioners of the
Gainesboro Port Authority
Gainesboro, Tennessee

I have audited the financial statements of Gainesboro Port Authority as of and for the year ended June 30, 2009, and have issued my report thereon dated December 22, 2009. I conducted my 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 my audit, I considered Gainesboro Port Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Gainesboro Port Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Gainesboro Port Authority's internal control over financial reporting.

My consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be a significant deficiency.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Gainesboro Port Authority's ability to initiate, authorize record process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Gainesboro Port Authority's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the deficiency described as 2009-01, in the accompanying schedule of findings and responses, to be a significant deficiency in internal control over financial

reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Gainesboro Port Authority's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weakness. However, I believe that the significant deficiency described above, is not a material weakness.

Compliance and other Matters

As part of obtaining reasonable assurance about whether the Gainesboro Port Authority's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Gainesboro Port Authority's responses to the findings identified in my audit are described in the accompanying schedule of findings and responses. I did not audit the Gainesboro Port Authority's responses and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of the management of Gainesboro Port Authority, the Tennessee State Comptroller's Office, and other regulatory bodies, and is not intended to be and should not be used by anyone other than these specified parties.

December 22, 2009
Red Boiling Springs, Tennessee

A handwritten signature in blue ink, reading "Hugh W. Smith, Sr." with a stylized flourish at the end.

Gainesboro Port Authority
Schedule of Findings and Responses
6/30/09

Finding concerning segregation of accounting duties has not been corrected and is repeated in this schedule.

Internal Control

2009-1

Condition Duties over cash receipting, receivables, disbursements, and general ledger functions are not properly segregated.

Criteria Essential elements of internal control require the above functions to be segregated.

Effect Without proper segregation, errors or irregularities could occur and not be detected on a timely basis.

Recommendation
 Management should consider compensating procedures to minimize this situation.

Management's response
 GPA board minutes dated 26 January 2, 2006 requires two signatures on any check written for an amount over \$100. The port administrator, board president, and one other board member are on the signature card, the other may be any board member. All checks written for amounts greater than \$100 are signed in accordance with the requirements of the board.