JOINT INDUSTRIAL DEVELOPMENT BOARD OF CELINA & CLAY COUNTY

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2011

JOINT INDUSTRIAL DEVELOPMENT BOARD
OF CELINA & CLAY COUNTY

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INTRODUCTORY SECTION

JOINT INDUSTRIAL DEVELOPMENT BOARD
OF CELINA & CLAY COUNTY

Board of Directors

June 30, 2011

Jed Donaldson, President

Greg Meadows, Vice-President

Paula Boone, Secretary/Treasurer

Rene Davis

Don Haston

Randall Killman

Danny Nevins

Willie Kerr

Dale Reagan

JOEL D. PARKS, P.C.
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

To the Chairman and the Board of Directors
Joint Industrial Development Board of Celina & Clay County

I have audited the accompanying basic financial statements of Joint Industrial Development Board of Celina & Clay County as of and for the year ended June 30, 2011. These financial statements are the responsibility of Joint Industrial Development Board of Celina & Clay County's 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 the 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 presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Joint Industrial Development Board of Celina & Clay County as of June 30, 2011, and the changes in financial position and cash flows 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*, I have also issued my report dated December 29, 2011, on my consideration of Joint Industrial Development Board of Celina & Clay County's internal control over financial reporting and my test of its compliance with certain provisions of laws, regulations, contracts, grant 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 on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis on pages 4 through 6 is not a required part of the financial statements but is supplementary information required by the Government Accounting Standards Board. I 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, I did not audit the information and do not express an opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The introductory section (page 1) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I express no opinion on it.

Joel D. Parks, P.C.

December 29, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Joint Industrial Development Board of Celina & Clay County's (the Board's) annual financial report presents our discussion and analysis of the Board's financial performance during the year ended June 30, 2011. This section should be read in conjunction with the financial statements and accompanying notes, which follow this section.

The Board is a separate governmental affiliate established on April 7, 1997, to promote local industrial development for the benefit of the residents of the Clay County and Celina. The Board is engaged in acquisition, construction, leasing and mortgaging industrial properties in the Celina area. The Town of Celina appoints three board members and Clay County appoints four. The corporate officers, appointed by the Board of Directors, manage the Board.

Brief Discussion of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Board's financial statements.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial report includes three financial statements: Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; and Statement of Cash Flows followed by notes to the financial statements. The financial statements are prepared on the accrual basis of accounting.

The Statement of Net Assets includes all assets and liabilities of the Board, as of June 30, 2011. The difference in the assets and liabilities is the net assets or equity of the Board. The Statement of Revenues, Expenses and Changes in Fund Net Assets reports all the revenues and expenses during the year ended June 30, 2011 and the change in net assets for the year. The Statement of Cash Flows reports the cash provided and used by operating activities as well as other cash sources and cash payments such as investment income, capital additions and principal and interest payments on debt issues.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements.

Condensed financial information

The following schedule presents a summary of the financial position for the fiscal year ended June 30, 2011, and the percentage of increases and decreases in relation to the prior year.

	FY11	FY10	Percentage Inc / (Dec)
Statement of Net Assets			
Capital assets net of accumulated depreciation	$1,269,783	$1,294,772	(1.9)
Other assets	193,714	176,472	9.8
Total assets	$1,463,497	$1,471,244	(0.5)
Current liabilities	$ 1,703	$ -	100.0
Long-term liabilities	97,438	97,438	0.0
Total liabilities	99,141	97,438	1.7
Net assets invested in capital assets	1,269,783	1,294,772	(1.9)
Unrestricted	94,573	79,034	19.7
Total net assets	1,364,356	1,373,806	(0.7)
Total liabilities and net assets	$1,463,497	$1,471,244	(0.5)

The following schedule presents a summary of the changes in net assets for the fiscal year ended June 30, 2011, and the percentage of increases and decreases in relation to prior year.

	FY11	FY10	Percentage Inc / (Dec)
Operating revenues	$ 29,652	$ 3,310	795.8
Operating expenses	40,800	46,029	(11.4)
Net operating loss	(11,148)	(42,719)	(73.9)
Other income (loss)	1,698	640	165.3
Change in net assets	$(9,450)	$(42,079)	(77.5)

The increase in operating revenue was due to new tenant rent revenue.

Capital Expenses

Capital expenses during the fiscal year ended June 30, 2011 were limited to the purchase of a back flow preventer.

Independent Audit

State statutes require an annual audit by an independent certified public accounting firm. In addition to meeting the requirements set forth in state statutes, the audit is conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States of America. The auditor's report on the basic financial statements and supplementary schedules is included in the financial section of this report.

Contacting the Board's Financial Management

The financial report is designed to provide a general overview of the Board's finances for all those with an interest in the Board's finances. If you have questions about this report or need additional financial information, contact the Board office at P.O. Box 313, Celina, TN 38551.

JOINT INDUSTRIAL DEVELOPMENT BOARD
OF CELINA & CLAY COUNTY

Statement of Net Assets

June 30, 2011

ASSETS		
Cash and cash equivalents	$	191,521
Prepaid expenses		2,193
Land		393,820
Capital assets (net of accumulated depreciation)		878,420
	$	1,465,954
LIABILITIES		
Current:		
Accounts payable	$	4,160
Total current liabilities		4,160
Long-term:		
Lease escrow payable		97,438
		101,598
NET ASSETS		
Invested in capital assets		1,272,240
Unrestricted		92,116
	$	1,364,356

See Accompanying Notes to Financial Statements

JOINT INDUSTRIAL DEVELOPMENT BOARD
OF CELINA & CLAY COUNTY

Statement of Revenues, Expenses and
Changes in Net Assets

For the Fiscal Year Ended June 30, 2011

Operating revenues		
Rental income	$	29,652
Total operating revenues		29,652
Operating expenses		
Depreciation		26,692
Insurance		4,484
Miscellaneous		212
Professional fees		2,951
Utilities		6,461
Total operating expenses		40,800
Operating loss		(11,148)
Non-operating revenues (expenses)		
Interest income		1,698
Total nonoperating revenues (expenses)		1,698
Change in net assets		(9,450)
Net assets, beginning		1,373,806
Net assets, ending	$	1,364,356

See Accompanying Notes to Financial Statements

JOINT INDUSTRIAL DEVELOPMENT BOARD
OF CELINA & CLAY COUNTY

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2011

Cash flows from operating activities		
Cash received from lessees	$	29,652
Cash paid to suppliers of goods and services		(9,948)
Net cash flows from operating activities		19,704
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets		(4,160)
Net cash used by capital and related financing activities		(4,160)
Cash flows from investing activities		
Interest received		1,698
Net cash flows from investing activities		1,698
Net increase in cash and cash equivalents		17,242
Cash and cash equivalents, beginning		174,279
Cash and cash equivalents, ending	$	191,521

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating loss	$	(11,148)
Adjustments to reconcile operating loss to net cash from operation activities		
Depreciation		26,692
Increase in accounts payable		4,160
Net cash from operating activities	$	19,704

See Accompanying Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Joint Industrial Development Board of Celina & Clay County (the Board) have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant accounting policies.

A. The Reporting Entity

The Board was organized as a corporation on April 7, 1997 under the laws of the State of Tennessee to promote local industry development for the benefit of the residents of Clay County and the Town of Celina. The Board is engaged in acquisition, construction, leasing and mortgaging industrial properties in the Celina area. The Town of Celina appoints three board members and Clay County appoints four. The corporate officers, appointed by the Board of Directors, manage the Board.

B. Measurement Focus/Basis of Accounting

The Board utilizes an "economic resources" measurement focus. The accounting objectives of this focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with the Board's activities are reported.

The Board is a single-enterprise proprietary fund and uses accrual basis of accounting. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises and that a periodic determination of revenues earned, expenses incurred and/or change in net assets is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Under accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the Board is rent income from commercial buildings purchased/constructed by the Board.

Operating expenses include building maintenance, interest on mortgage debt, administrative costs and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Measurement Focus/Basis of Accounting (Cont.)

The financial statements are prepared on the basis of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements, Management Discussion and Analysis for State and Local Governments* and related standards. This statement includes recognition of capital grants in the Statement of Revenues, Expenses and Changes in Net Assets; a presentation of net assets; inclusion of a management discussion and analysis providing an analysis of the overall financial position and results of operations; and other supplementary information.

The Governmental Accounting Standards Board (GASB) exercises jurisdiction over accounting and financial reporting for governments. The Financial Accounting Standards Board (FASB) exercises jurisdiction over private enterprises and nonprofit organizations. However, under the guidance of GASB Statement No. 20, pronouncements of the FASB issued before November 30, 1989, are applicable to enterprise funds unless they conflict with or contradict GASB guidance. After November 30, 1989, there are two options for enterprise funds: 1) follow GASB guidance only and not follow any FASB guidance issued after that date or 2) continue to apply all future FASB guidance that does not conflict with or contradict GASB Guidance. The Board has elected to follow option number 1.

C. Cash Equivalents

Cash is comprised of demand deposits and certificates of deposit with maturities of three months or less.

D. Investments

Investments are comprised of certificates of deposit with maturities of greater than three months.

E. Property and Equipment

Property and equipment purchased by the Board are presented on the balance sheet at cost and offset by an accumulated depreciation account. Depreciation is calculated using the straight-line method over the estimated life of the assets, which is generally five years for equipment and forty for buildings. For assets constructed by the Board, cost includes interest incurred during the construction period and other carrying costs. Generally the Board capitalizes assets that carry forward value to future periods purchased at a cost of $500 or more. When assets are disposed of, the cost and related accumulated depreciation is removed from the accounts, and any gain or loss is recorded in operations.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

F. Risk Financing

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 maintains commercial insurance coverage on each area of risk. Exposure is limited to claims in excess of standard policy limitations. The Board annually reviews its insurance needs based on claims and/or potential claims to minimize exposure. There were no claims in excess of insurance coverage during the past three years.

NOTE 2 – DEPOSITS

Cash as reported is comprised of one checking account, one savings account and one escrow account. The Board has no policy related to its exposure to custodial credit risk. The Board's carrying amount of deposits and the bank balance was $191,521 at June 30, 2011.

NOTE 3 – PROPERTY AND EQUIPMENT

Capital assets activity of the Board for the year ended June 30, 2011 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets not being depreciated:				
Land	$ 393,820	$ -	$ -	$ 393,820
Capital assets being depreciated:				
Buildings	$1,067,688	$ 4,160	$ -	$1,071,848
Accumulated depreciation				
Buildings	166,736	26,692	-	193,428
	$ 900,952	$22,532	$ -	$ 878,420

NOTE 4 – CONTINGENCIES

The Board is party to a loan issued by Cumberland Area Investment Corporation on behalf of a lessee of the Board, Dutch Craft Sleep Products, LLC. Original loan proceeds amounted to $238,000 with a maturity of ten years at an interest rate of 4.5%. The balance of this loan at June 30, 2011 was $159,132. Cumberland Area Investment Corporation has advised that Dutch Craft is responsible for loan payments, of which they are current, however in event of default by Dutch Craft and after all avenues were exhausted to seek payment from Dutch Craft, the Board would be held liable. The Board has recognized no current or long-term liability for this loan on its financial statements.

INTERNAL CONTROL AND COMPLIANCE SECTION

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CERTIFIED PUBLIC ACCOUNTANT

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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 Chairman and the Board of Directors
Joint Industrial Development Board of Celina & Clay County

I have audited the basic financial statements of Joint Industrial Development Board of Celina & Clay County (the Board) as of and for the year ended June 30, 2011, and have issued my report thereon dated December 29, 2011. 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 of America.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Board'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 Board's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified one deficiency 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 Board'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 Board's financial statements that is more than inconsequential will not be prevented or detected by the Board's internal control.

I consider the deficiency described in the accompanying schedule of findings and responses, identified as item 1, 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 entity'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 weaknesses. However, I believe the significant deficiency described is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Joint Industrial Development Board of Celina & Clay County's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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*.

Joint Industrial Development Board of Celina & Clay County's responses to the findings identified in my audit are described in the accompanying schedule of findings and responses. I did not audit the Board's responses, and accordingly, I express no opinion on them.

This report is intended solely for the information and use of the management, state awarding agencies and other regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Joel D. Parks, P.C.

December 29, 2011

JOINT INDUSTRIAL DEVELOPMENT BOARD
OF CELINA & CLAY COUNTY

Schedule of Findings and Responses

June 30, 2011

Part I - SUMMARY OF AUDITOR'S RESULTS

1. An unqualified opinion was issued on the financial statements of the Board.

2. The audit of the financial statements disclosed one significant deficiency in internal control.

3. The audit disclosed no instances of noncompliance or other matters that are material to the financial statements of the Board.

4. There were no federal grant funds expended.

PART II - FINDINGS AND RESPONSES REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING PROCEDURES

1. **Segregation of Duties and Preparation of Financial Statements**
   As reported in the prior year, the Board exhibits conflicting duties (e.g., receiving funds, preparing deposits, posting transactions, reconciling bank records and maintaining receivables and payables). The Board, however, will likely be unable to fully overcome the weaknesses surrounding the invoicing, collection, depositing, posting and reconciliation of receipts without the involvement of additional personnel. The cost of utilizing additional personnel solely for this function would likely exceed the benefits.

   Additionally, as reported in the prior year, management lacks the skills and knowledge to fully apply generally accepted accounting principles in recording the Organization's financial transactions and preparing its financial statements.

   Recommendation
   The Board should strive to separate key accounting functions to the extent possible or, in absence of available personnel, adopt additional oversight policies to remove any perception of weak internal control. Additionally, the Board should periodically work with a qualified accountant, independent of the auditors, to oversee the application of the generally accepted accounting principles.

   Management's Response
   We will work to improve this condition, but will likely be unable to fully correct it due to limited funding. We will also consider contacting outside accountants to periodically oversee our records and the application of generally accepted accounting principles.

JOINT INDUSTRIAL DEVELOPMENT BOARD
OF CELINA & CLAY COUNTY

Disposition of Prior Year Findings

June 30, 2011

PRIOR YEAR AUDIT RECOMMENDATIONS NOT IMPLEMENTED

(REF: Annual Financial Report for the FYE June 30, 2010)

Finding	Page	Subject
1	15	Segregation of Duties and Preparation of Financial Statements