WILSON COUNTY/MT. JULIET DEVELOPMENT BOARD

Financial Statements and
Supplemental Information

For the Year Ended June 30, 2011

WILSON COUNTY/MT. JULIET
DEVELOPMENT BOARD

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Independent Auditor's Report

Board of Directors of
Wilson County/Mt. Juliet Development Board
Mt. Juliet, Tennessee

We have audited the accompanying financial statements of the governmental activities and fund information of the Wilson County/ Mt. Juliet Development Board, as of and for the year ended June 30, 2011, which collectively comprise the Board's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Wilson County/Mt. Juliet Development Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and fund information of the Wilson County/Mt. Juliet Development Board as of June 30, 2011 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2011 on our consideration of the Wilson County/Mt. Juliet Development 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Wilson County/Mt Juliet Development Board implemented Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions in 2011, as discussed in Note 1 to the financial statements.

The Wilson County/Mt. Juliet Development Board has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wilson County/Mt. Juliet Development Board's basic financial statements. The accompanying supplemental schedule as listed in the Table of Contents is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Yeary, Howell & Associates

October 31, 2011

WILSON COUNTY/MT. JULIET
DEVELOPMENT BOARD

Statement of Net Assets – Governmental Activities

For the Year Ended June 30, 2011

Assets

Assets:

Cash and cash equivalents	$	279,450
Account receivable – tax rebate		11,960
Land – non-depreciable capital assets		11,634
Total assets	$	303,044

Liabilities and Net Assets

Net Assets:

Investment in capital asset	$	11,634
Restricted for development		291,410
Total net assets	$	303,044

See accompanying notes to financial statements

WILSON COUNTY/MT. JULIET
DEVELOPMENT BOARD

Statement of Activities - Governmental Activities

For the Year Ended June 30, 2011

Program Expenses:		
General Government:		
Professional services	$	3,655
Total program expenses		3,655
Program Revenues:		
General Government:		
Lease income		21,888
Net program revenues (expenses)		18,233
General Revenues:		
Interlocal revenue		37,080
Interest income		258
Total general revenues		37,338
Change in Net Assets		55,571
Net Assets, beginning of year		247,473
Net Assets, end of year	$	303,044

See accompanying notes to financial statements

WILSON COUNTY/MT. JULIET
DEVELOPMENT BOARD

Balance Sheet - Governmental Fund

For the Year Ended June 30, 2011

Assets

Assets:	
Cash and cash equivalents	$ 279,450
Account receivable – tax rebate	11,960
Total assets	$ 291,410

Liabilities and Net Assets

Fund Balance:	
Restricted for development	$ 291,410
Total liabilities and fund balance	$ 291,410
Reconciliation of Balance Sheet to Statement of Net Assets of Governmental Activities:	
Fund balance	$ 291,410
Capital assets not considered financial resources and not included in the fund	11,634
Net assets of governmental activities	$ 303,044

See accompanying notes to financial statements

WILSON COUNTY/MT. JULIET
DEVELOPMENT BOARD

Statement of Revenues, Expenditures and Changes
In Fund Balance – Governmental Fund

For the Year Ended June 30, 2011

Revenues:		
Interlocal revenue	$	37,080
Lease income		21,888
Interest income		258
Total revenues		59,226
Expenditures:		
Professional services		3,655
Total expenditures		3,655
Change in fund balance		55,571
Fund Balance, beginning of year		235,839
Fund Balance, end of year	**$**	291,410

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

Change in fund balance	$	55,571
Reconciliation		-
Change in net assets – governmental activities	$	55,571

See accompanying notes to financial statements

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Wilson County/Mt. Juliet Development Board (the "Development Board") was created on January 13, 1995 pursuant to Tennessee Code Annotated, Sections 5-1-113 and 12-9-101, and pursuant to an Interlocal Agreement between Wilson County and the cities of Lebanon, Watertown and Mt. Juliet. Wilson County and the City of Mt. Juliet each contributed $400,000 to the Development Board. The Development Board has no obligation to repay such contributions. The purpose of the Development Board is to add to the tax base by developing industrial land to attract new business into the Wilson County/City of Mt. Juliet area. Once a developed property is sold by the Development Board and placed on the tax rolls of Wilson County, the County is obligated by the Interlocal Agreement to pay twenty five percent (25%) of the tax revenues derived from the property to the Development Board for as long as the Development Board remains in existence. Under a Supplemental Interlocal Agreement, the City of Mt. Juliet and Wilson County agreed to reimburse the Board for infrastructure improvements to certain property which were funded by the Board by agreeing to pay the Board thirty percent (30%) of all real and personal property ad valorem tax receipts received with respect to this property. The City of Mt. Juliet enacted a property tax during the year which will be in effect for the June 30, 2012 fiscal year.

Basis of presentation

The accounting and reporting policies of the Wilson County/Mt. Juliet Development Board conform to accounting principles generally accepted in the United States applicable to governmental units. Generally accepted accounting principles are defined as those principles prescribed by Government Accounting Standards Board (GASB). Generally accepted accounting principles require government-wide financial statements of net assets and activities, be presented on the economic resources measurement focus and the accrual basis of accounting.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Basis of presentation, (Continued)

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. It also requires that certain fixed assets be recorded at cost less accumulated depreciation. The Development Board has no depreciable assets at June 30, 2011.

Generally accepted accounting principles also require governmental fund financial statements be reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Rents and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the Development Board.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Basis of presentation, (Continued)

The accounts of the Development Board are organized on the basis of funds. The operations of the Development Board are accounted for in one fund which provides for a set of self-balancing accounts, which are comprised of its assets, liabilities, fund balance, revenues, and expenditures. The fund in the financial statements of the report, is as follows:

General Fund – The General Fund is the operating fund of the Development Board and is classified as a Governmental Fund Type and uses the modified accrual basis of accounting whereby revenues are recognized when measurable and available and expenditures are recognized when liabilities are incurred.

Fund Balance Policy

During 2011, the Board implemented Governmental Accounting Standards Board (GASB) Statement 54. As a result, fund balance is reported in the financial statements as restricted for development purposes as specified by applicable enabling legislation.

Cash and cash equivalents

The Development Board considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Income tax status

No provision has been made for income taxes in the accompanying financial statements, as the Development Board is exempt from income taxes.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and expenses during the reporting year. Actual results could differ from those estimates.

Investment in land

The Development Board obtained 68.25 acres of land by transfer from Mt. Juliet Development Corporation. All of the land has been sold except for approximately 0.287 acres valued at an original cost of $11,634, which remains at June 30, 2011.

(2) DEPOSITS

As of June 30, 2011, the Development Board had deposits with financial institutions located in the United States. The carrying amount of the deposits was $279,450 and the bank balance was $279,450. All funds were on deposit with an institution that participates in the State Collateral Pool.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Board's deposits may not be returned or the Board will not be able to recover collateral securities in the possession of an outside party. The Board's policy requires deposits to be 105 percent secured by collateral, less amount of Federal Deposit Insurance Corporation (FDIC) or deposited in an institution which participates in the State Collateral Pool. Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service. Collateral agreements must be approved prior to deposit of funds as provided by law. The Board approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of Board staff. At June 30, 2011, there were no amounts exposed to custodial risk.

(3) CONCENTRATION OF RISK

The Development Board conducts business in full in Wilson County. During the year ended June 30, 2011, the operating revenues were rents from the land leases, interlocal revenues, and bank interest.

(4) LEASE

On August 3, 1996, the Development Board entered into a contract to lease land to a wireless provider beginning September 1, 1996. The lease term is for a period of five years, with four automatic renewal terms of five years each thereafter. The annual rent for each of the renewal terms will be 120 percent of the annual rent for the final year of the previous renewal term. Upon termination of the lease, the Board retains any prepaid rent. On October 15, 1999, a sublease agreement was executed, requiring the lessee to pay the Board one-half of all rentals received by the lessee under the sublease in addition to the applicable annual rent. Total lease income for the year ended June 30, 2011 was $21,888. Future minimum lease payments to be received are as follows:

2012	$24,192
2013	25,056
2014	26,093
2015	26,266
2016	26,266

(5) INTERLOCAL REVENUE

Interlocal revenue consists of amounts from the county related to sharing of property taxes as explained in footnote number one.

(6) RISK MANAGEMENT

The Development Board is exposed to various risks related to general liability and property and casualty losses. For this reason, the Development Board is covered under the general liability insurance policy carried by Wilson County, Tennessee. The policy covers premise liability and officers and elected officials liability.

The Development Board is also covered under the City of Mt. Juliet's insurance policy for general liability and elected officials liability.

The Development Board had no claims during the year ended June 30, 2011. Furthermore, the likelihood of experiencing a loss is remote due to very limited operations and assets owned by the Development Board. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) BUDGET

The Development Board is not required and does not adopt a budget.

SUPPLEMENTAL INFORMATION

WILSON COUNTY/MT. JULIET DEVELOPMENT BOARD

Schedule of Board Members

June 30, 2011

Ed Hagerty	Board Chairman
Vacant	City Representative
Shawn Glover	City Representative
Randall Hutto	County Representative
Gilbert Graves	County Representative
Vicki Fitzpatrick	County Representative

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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*

Board of Directors of
Wilson County/Mt. Juliet Development Board
Mt. Juliet, Tennessee

We have audited the accompanying financial statements of the governmental activities and fund information of the Wilson County/Mt. Juliet Development Board as of and for the year ended June 30, 2011, which collectively comprise the Board's basic financial statements and have issued our report thereon dated October 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Wilson County/Mt Juliet Development Board'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 Wilson County/Mt Juliet Development Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Wilson County/Mt Juliet Development 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 described in the accompanying Schedule of Findings and Responses, 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 misstatements on a timely basis. A *material weakness* is a deficiency, or 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. We consider the deficiency described in the accompanying Schedule of Findings and Responses to be a material weakness. (07-02)

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 deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies. (02-01)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Wilson County/Mt Juliet Development 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 the 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.*

Board of Directors
Wilson County/Mt Juliet Development Board
Mt. Juliet, Tennessee

The Wilson County/Mt Juliet Development Board's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Wilson County/Mt Juliet Development Board's responses and, accordingly, we express no opinion on them.

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

Young Hall & Associates

October 31, 2011

WILSON COUNTY/MT. JULIET DEVELOPMENT BOARD

Schedule of Findings and Responses

June 30, 2011

PRIOR YEAR FINDINGS

(09-01) Under a Supplemental Interlocal Agreement with the City of Mt. Juliet and Wilson County, the governmental entities agreed to reimburse the Development Board for improvements to certain property by remitting 30% of all tax receipts on the improved properties annually to the Board, up to the $110,000 of improvements. The City has no property tax and therefore has provided no remittance to the Board. The County ceased remitting receipts to the Board once they remitted $55,000. Legal counsel of the Board indicates that because the City has no property tax, the County is responsible for 100% of the contribution.

Recommendation: We recommend that the legal issue be resolved as to the amount of financial responsibility of the County.

Current Year Status: Resolved.

(02-01) Due to staff limitations, there is a lack of segregation of duties necessary to achieve the desired internal control over receipts and disbursements.

Recommendation: Consideration should be given of requiring two signatures on the written checks, one including a board member.

Current-Year Status: Condition continues to exist.

Response: Management assures that segregation of duties occurs to the extent possible. As opportunities arise to better segregate duties, action will be taken.

(07-02) The Board has not held regular meetings to approve actions and to provide oversight of the activities.

Recommendation: We recommend that at least semi-annual meetings be held to authorize, review and approve all actions and activities of the organization.

Current-Year Status: Condition continues to exist.

Response: Consideration is being given to holding semi-annual meetings.