

**THE INDUSTRIAL DEVELOPMENT BOARD
OF JACKSON COUNTY, TENNESSEE
JUNE 30, 2012**

**TAMARA L. BECKMAN
CERTIFIED PUBLIC ACCOUNTANT**

**THE INDUSTRIAL DEVELOPMENT BOARD OF
JACKSON COUNTY, TENNESSEE
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JUNE 30, 2012

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**THE INDUSTRIAL DEVELOPMENT BOARD OF
JACKSON COUNTY, TENNESSEE
ROSTER OF MANAGEMENT OFFICIALS AND
THOSE CHARGED WITH GOVERNANCE
JUNE 30, 2012**

Troy York, Chairman
PO Box 51
Gainesboro, TN 38562

Jim Birdwell, President
260 Hall Farm Lane
Whitleyville, TN 38588

Gary Gill, Secretary/Treasurer
PO Box 323
Gainesboro, TN 38562

Larry Stafford
167 Stafford Drive
Gainesboro, TN 38562

Gilbert Berry
PO Box 23
Gainesboro, TN 38562

Joe Barlow
3494 York Highway
Gainesboro, TN 38562

Richard Warden
705 Zion Road
Cookeville, TN 38501

Charlie Hix
PO Box 716
Gainesboro, TN 38562

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
The Industrial Development Board of Jackson County
Gainesboro, Tennessee

I have audited the accompanying financial statements of The Industrial Development Board of Jackson County, a related organization of Jackson County, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of The Industrial Development Board of Jackson 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 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 financial position of The Industrial Development Board of Jackson County, as of June 30, 2012, and the respective changes in financial position and 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 October 5, 2012, on my consideration of The Industrial Development Board of Jackson County's internal control over financial reporting and on my 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 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. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. However, management has chosen to exclude the management's discussion and analysis information.

My audit was conducted for the purpose of forming an opinion on the financial statements of The Industrial Development Board of Jackson County, taken as a whole. The accompanying supplementary financial information (Schedule of Budget to Actual and the Schedule of Board Members) is presented for the purposes of additional analysis and is not a required part of the financial statement of The Industrial Development Board of Jackson County. Such information has been subjected to the auditing procedures applied in the audit of the 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

October 5, 2012
Cookeville, Tennessee

Tamara L. Beckman, CPA

**THE INDUSTRIAL DEVELOPMENT BOARD OF
JACKSON COUNTY, TENNESSEE
STATEMENT OF NET ASSETS
JUNE 30, 2012**

Assets

Current Assets

Cash	\$ 84,399.26	
CD's	228,051.51	
Interest Receivable	<u>1,270.18</u>	
Total Current Assets		\$ 313,720.95

Fixed Assets

Buildings	3,629,369.83	
Building Improvements	49,712.00	
Less: Accumulated Depreciation	<u>(1,484,409.69)</u>	
Total Fixed Assets		<u>2,194,672.14</u>

Total Assets \$ 2,508,393.09

Liabilities

Current Liabilities

Notes Payable - Current Portion	<u>133,839.53</u>	
<u>Total Current Liabilities</u>		133,839.53

Long-Term Debt 115,562.72

Total Liabilities 249,402.25

Net Assets

Invested in Capital Assets, Net of Related Debt	1,945,269.89	
Unrestricted	<u>313,720.95</u>	

Total Net Assets \$ 2,258,990.84

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**THE INDUSTRIAL DEVELOPMENT BOARD OF
JACKSON COUNTY, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Expenses</u>		
Dues & Fees	\$ 90.00	
Accounting	7,351.80	
Postage & Mailing	30.00	
Interest Expense	13,530.92	
Depreciation Expense	<u>165,312.53</u>	
Total Expenses		\$ 186,315.25
 <u>Program Revenues</u>		
Rental Income	<u>231,943.37</u>	
Total Program Revenues		<u>231,943.37</u>
Net (Expense) Revenue		45,628.12
 <u>General Revenue</u>		
Interest Income	<u>3,071.06</u>	
Total General Revenue		<u>3,071.06</u>
Change In Net Assets		48,699.18
Net Assets, July 1, 2011		2,199,364.99
Prior Period Adjustment		<u>10,926.67</u>
Net Assets, June 30, 2012		<u>\$ 2,258,990.84</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENT

**THE INDUSTRIAL DEVELOPMENT BOARD OF
JACKSON COUNTY, TENNESSEE
BALANCE SHEET
JUNE 30, 2012**

Assets

Current Assets

Cash in Bank	\$ 84,399.26
CD's	228,051.51
Interest Receivable	<u>1,270.18</u>

Total Assets \$ 313,720.95

Liabilities & Fund Balance

Fund Balance - Unassigned 313,720.95

Total Liabilities & Fund Balance \$ 313,720.95

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENT

**THE INDUSTRIAL DEVELOPMENT BOARD OF
JACKSON COUNTY, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET
JUNE 30, 2012**

Fund Balance-Balance Sheet		\$ 313,720.95
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Amount reported for governmental activities in the Statement of Net Assets are different because Capital Assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental Capital Assets & CIP	\$ 3,679,081.83	
Less: Accumulated Depreciation	<u>(1,484,409.69)</u>	
		2,194,672.14
Long-term liabilities not reported in the fund financial statements		<u>(249,402.25)</u>
Net Assets of Governmental Activities		<u>\$ 2,258,990.84</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENT

**THE INDUSTRIAL DEVELOPMENT BOARD OF
JACKSON COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012**

Revenues

Rental Income	\$ 231,943.37	
Interest Income	<u>3,071.06</u>	

<u>Total Revenues</u>		\$ 235,014.43
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Expenditures

Operating Expenses

Accounting	90.00	
Postage & Mailing	7,351.80	
Repairs & Maintenance	<u>30.00</u>	

<u>Total Operating Expenditures</u>	7,471.80	
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Debt Services

Principal	170,209.34	
Interest	<u>13,530.92</u>	

Total Debt Services	<u>183,740.26</u>	
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<u>Total Expenditures</u>		<u>191,212.06</u>
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Net Change in Fund Balance		43,802.37
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Fund Balance, July 1, 2011		258,991.91
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Prior Period Adjustment		<u>10,926.67</u>
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Fund Balance, June 30, 2012		<u>\$ 313,720.95</u>
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENT

**THE INDUSTRIAL DEVELOPMENT BOARD OF
JACKSON COUNTY, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2012**

Net Change in Fund Balance \$ 43,802.37

Amount reported for governmental activities in the Statement of Net Assets
are different because:

Governmental funds report capital outlays as expenditures.
However, in the Statement of Activities, the cost of those
assets is depreciated over their estimated useful lives.

Expenditures for Capital Assets and CIP	\$	-	
Less: Depreciation Expense		<u>(165,312.53)</u>	(165,312.53)

Governmental funds report payment of principle on Notes Payable as
expenditures and proceeds of new loans as revenue. However,
payments of principal and new loans generated are not presented
in the Statement of Activities.

Proceeds of New Loans		-	
Expenditures of Principle Payments		<u>170,209.34</u>	

Change in Net Assets of Governmental Activities		<u>\$ 48,699.18</u>	
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENT

**THE INDUSTRIAL DEVELOPMENT BOARD OF
JACKSON COUNTY, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 1 – Organization

The Industrial Development Board of Jackson County was incorporated February 21, 1978. The purpose of The Industrial Development Board of Jackson County is to do business as an industrial development corporation as prescribed by Chapter 210 of the Public Act of 1955, as codified in 6-2801, et seq. Tennessee Code Annotated, and as amended by Chapter 222, Public Act of 1959. It is a related organization of Jackson County, Tennessee. The directors are elected by the governing body of Jackson County. It must file a budget with Jackson County each year. Upon dissolution, the title to all funds and properties owned by The Industrial Development Board of Jackson County at that time shall become the property of Jackson County.

Note 2 – Government – Wide Financial Statements

The Government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report the governmental activities of the Industrial Development Board of Jackson County. The governmental activities are reported on the economic resources measurement focus on the accrual basis of accounting.

Note 3- Fund Financial Statements

To ensure observance of limitations and restrictions placed on the use of resources available to the Industrial Development Board of Jackson County, the accounts of the Board are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group. The fund financial statements report using current financial resources measurement focus and the modified accrual basis of accounting. The measurement focus of governmental fund accounting is on expenditures rather than expenses. Most expenditures are measurable and are recorded when the related liability is incurred.

Note 4 - Capital Assets and Depreciation

The Industrial Development Board of Jackson County's property, plant and equipment with useful lives of more than one year are stated at historical cost. The capital assets purchased in the current year are reported in the fund financial statements as expenditures in the current year. Donated assets are stated at fair value on the date donated. The Industrial Development Board of Jackson County generally capitalizes assets that have a cost of over \$5,000 and have a useful life of more than one year.

The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. All capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Note 5 – Cash and Cash Equivalents:

Cash and cash equivalents consist of demand deposits with original maturities of three months or less with local financial institutions. The organization’s cash at June 30, 2012 was maintained as follows: The rental fund and the money market account were maintained in separate checking accounts.

Note 6 – Compensated Absences

The Board has no employees; therefore compensated absences are not accrued in the financial statements.

Note 7 – Cash in Bank

The Tennessee Government Code requires Tennessee banks and savings and loan associations to secure a governmental entity’s deposits by pledging government securities as collateral. The market value of pledged securities must equal 105% of the entity’s deposits. The entity may waive collateral requirements for deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) or Savings Association Insurance Fund (SAIF).

Checking – FSG Bank	\$ 81,868.14
CDs – FSG Bank	<u>202,550.00</u>
Subtotal	284,418.14
Money Market – Bank East	2,531.12
CD - Citizens Bank	<u>25,501.51</u>
TOTAL	<u>\$312,450.77</u>

At June 30, 2012, the carrying amount of The Industrial Development Board of Jackson County’s cash deposits was \$312,450.77. All cash deposits are covered by the Federal Deposit Insurance Corporation up to the limit of \$250,000.00. Any amounts in excess of this limit are covered by the Tennessee Collateralization Pool. The Board is authorized to deposit and invest funds according to the provisions of Section 5-8-301 of the Tennessee Code Annotated. [Acts 1992, ch. 891, section 10].

Note 8 – Budget

The director of the Industrial Development Board of Jackson County and staff compile the budget. It is then brought before the city and county for approval. Changes made by the city or county are not reflected in the budget. This is a non-appropriated budget used for guidance only and is not legally binding.

Note 9 - Risk

The Industrial Development Board of Jackson County maintains general liability and property insurance on Buildings. There have been no claims or settlement that exceeded coverage during the prior three years.

Notes to Financial Statements

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June 30, 2012

Note 10 – Capital Assets

Capital assets are categorized as follows:

<u>Depreciable Assets</u>	<u>Cost</u>	<u>Estimated Useful Life</u>
Building	\$ 3,629,369.83	20-25 Years
Building Improvements	<u>49,712.00</u>	15 Years
	<u>\$ 3,679,081.83</u>	

Depreciation expense totaled \$165,312.53 for year ended June 30, 2012.

Changes to Capital Assets as of June 30, 2012 are summarized as follows:

	<u>Balance</u> <u>6/30/2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2012</u>
Building	\$ 3,629,369.83	\$ -	\$ -	\$ 3,629,369.83
Building Improvements	<u>49,712.00</u>	<u>-</u>	<u>-</u>	<u>49,712.00</u>
	<u>\$ 3,679,081.83</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,679,081.83</u>

Changes to Accumulated Depreciation as of June 30, 2012 are summarized as follows:

	<u>Balance</u> <u>6/30/2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>6/30/2012</u>
Building	1,303,769.27	161,998.39	-	1,465,767.66
Building Improvements	<u>15,327.89</u>	<u>3,314.14</u>	<u>-</u>	<u>18,642.03</u>
	<u>\$ 1,319,097.16</u>	<u>\$ 165,312.53</u>	<u>\$ -</u>	<u>\$ 1,484,409.69</u>

Notes to Financial Statements

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June 30, 2012

Note 11 – Long-Term Debt

At June 30, 2012 the last payment on the loan outstanding to TVA was made in the amount of \$ 60,736.18. This loan carries a 4.00% interest rate with monthly payments of \$6,109.03 which began December 15, 2002. The following is a schedule of debt payments to TVA.

Principal and interest requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2013	<u>60,736.18</u>	<u>1,124.34</u>	<u>61,860.52</u>
Totals	<u>\$ 60,736.18</u>	<u>\$ 1,124.34</u>	<u>\$ 61,860.52</u>

The Board also had two loans outstanding to Jackson Bank & Trust at June 30, 2012. Both loans are due April 1, 2014. The balances of the loans at June 30, 2012 were \$146,308.99 and \$103,093.26, respectively. The interest rate on the loans were 4.50% and 3.00%, respectively.

Principal and interest requirements to maturity are as follows:

JB&T Loan #1 @ 4.50% interest

	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2013	<u>78,309.77</u>	<u>4,981.87</u>	<u>83,291.64</u>
2014	<u>67,999.22</u>	<u>1,384.43</u>	<u>69,383.65</u>
Totals	<u>\$ 146,308.99</u>	<u>\$ 6,366.30</u>	<u>\$ 152,675.29</u>

JB&T Loan #2 @ 3.00% interest

	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2013	<u>55,529.76</u>	<u>2,333.40</u>	<u>57,863.16</u>
2014	<u>47,563.50</u>	<u>655.80</u>	<u>48,219.30</u>
Totals	<u>\$ 103,093.26</u>	<u>\$ 2,989.20</u>	<u>\$ 106,082.46</u>

Notes to Financial Statements

Page 5

June 30, 2012

Changes to Long-Term Debt during the nine years are summarized as follows:

	Balance <u>6/30/2011</u>	<u>New Loans</u>	<u>Payments</u>	Balance <u>6/30/2012</u>
TVA	60,736.18	-	(60,736.18)	-
JB & T #1	201,891.52	-	(55,582.53)	146,308.99
JB & T #2	<u>156,983.89</u>	-	<u>(53,890.63)</u>	<u>103,093.26</u>
	<u>\$ 419,611.59</u>	<u>\$ -</u>	<u>\$ (170,209.34)</u>	<u>\$ 249,402.25</u>

Interest expense totaled \$13,530.92 for the year ended June 30, 2012.

**THE INDUSTRIAL DEVELOPMENT BOARD
OF JACKSON COUNTY, TENNESSEE**

SUPPLEMENTARY INFORMATION

JUNE 30, 2012

**THE INDUSTRIAL DEVELOPMENT BOARD OF
JACKSON COUNTY, TENNESSEE
SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012
(unaudited)**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>Revenues</u>			
Rental Income	\$ 1,575,000.00	\$ 231,943.37	\$ (1,343,056.63)
Grant Income - Capital	1,339,000.00	-	(1,339,000.00)
Grant Income - Operating	400,000.00	-	(400,000.00)
Proceeds from Loans	1,736,515.94	-	(1,736,515.94)
Interest Income	-	3,071.06	3,071.06
Total Revenue	<u>5,050,515.94</u>	<u>235,014.43</u>	<u>(4,815,501.51)</u>
<u>Expenditures</u>			
Operating			
Dues & Fees	1,200.00	90.00	1,110.00
Accounting	2,000.00	7,351.80	(5,351.80)
Legal Notices	250.00	-	250.00
Legal Fees	1,000.00	-	1,000.00
Postage & Mailing	2,000.00	30.00	1,970.00
Repairs & Maintenance	-	-	-
Miscellaneous	-	-	-
Total Operating Expenditures	<u>6,450.00</u>	<u>7,471.80</u>	<u>(1,021.80)</u>
Capital Outlay	3,680,000.00	-	3,680,000.00
Debt Services			
Principal	1,110,000.00	170,209.34	939,790.66
Interest	<u>325,000.00</u>	<u>13,530.92</u>	<u>311,469.08</u>
Total Debt Services	<u>1,435,000.00</u>	<u>183,740.26</u>	<u>1,251,259.74</u>
Total Expenditures	<u>5,121,450.00</u>	<u>191,212.06</u>	<u>4,930,237.94</u>
Net Change in Fund Balance	(70,934.06)	43,802.37	114,736.43
Fund Balance, July 1, 2011	75,530.11	258,991.91	183,461.80
Prior Period Adjustment	-	10,926.67	10,926.67
Fund Balance, June 30, 2012	<u>\$ 4,596.05</u>	<u>\$ 313,720.95</u>	<u>\$ 309,124.90</u>

TAMARA L. BECKMAN
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 Board of Directors of the
The Industrial Development Board of Jackson County
Gainesboro, Tennessee

I have audited the accompanying government-wide financial statements and the major governmental fund financial statements of The Industrial Development Board of Jackson County, a related organization of Jackson County, as of and for the year ended June 30, 2012, and have issued my report thereon dated October 5, 2012. 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

Management is responsible for establishing and maintaining effective internal control over financial report. In planning and performing my audit, I considered Industrial Development Board of Jackson County'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 Industrial Development Board of Jackson County's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Industrial Development Board of Jackson County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all

deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Industrial Development Board of Jackson County'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.

This report is intended for the information of the management and federal awarding agencies and pass-through entities 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.

October 5, 2012
Cookeville, Tennessee

Tamara L. Beckman, CPA