Industrial Development Board of the County of Hickman
Financial Statements
For the Fiscal Year Ended June 30, 2012

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Introductory Section

Industrial Development Board of the County of Hickman
Schedule of Board Officials
As of June 30, 2012

Howard Talley	President
Tony Collins	Vice-President
Becky Bates	Secretary
Thomas Isbell	Treasurer
Kenneth Canady	
Phillip Wennecker	
Wayne Richey	
John Porch	
Thomas Clifton	
Howard Breece	

Industrial Development Board of the County of Hickman
Management's Discussion and Analysis
As of June 30, 2012

As management of the Industrial Development Board of the County of Hickman (the 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 June 30, 2012.

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 Position 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 auditors' report that the Basic Financial Statements are fairly stated. The auditors, regarding the Required Supplementary Information, are providing varying degrees of assurance. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each of the other parts.

Notes to the Financial Statements

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

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, unassigned 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 June 30, 2012, the Board had total revenue of $18,160, none of which were contributions from Hickman County, Tennessee. The entity also had total monetary expenditures in the amount of $53,149.

Debt Administration

At June 30, 2012, the Board had $287,247 in liabilities, all of which was long-term debt. The long-term debt is down $38,352 from $325,599 at June 30, 2011.

Property Held for Sale or Lease
There are (3) properties held available for sale as of June 30, 2012. These properties are listed below:

Address	Acres	Appraised Value
Highway 7	14.05 acres	$ 63,200
Rivers Road	48.30 acres	80,500
Rivers Road	8.70 acres	43,500
		$ 187,200

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.

Request 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 the reports or additional financial information should be addressed to the:

Industrial Development Board of the County of Hickman
P.O. Box 888
Lyles, TN 37098

Financial Section

INDEPENDENT AUDITORS' 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 unit of Hickman County, Tennessee, as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 the major fund of the Board as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 and 3 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2014 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* in considering the Board's internal control over financial reporting and compliance.

Blankenship CPA Group, PLLC

May 31, 2014

Industrial Development Board of the County of Hickman
Governmental Fund Balance Sheet/Statement of Net Position
As Of June 30, 2012

	Governmental Fund	Adjustments	Governmental Activities
Assets			
Cash	$ 14,869	$ -	$ 14,869
Certificates of deposit	73,806	-	73,806
Lease receivable	287,247	-	287,247
Property held for sale (Cost)	50,538	-	50,538
Total Assets	$ 426,460	$ -	$ 426,460
Liabilities			
Note payable - Due within one year	$ -	$ 40,568	$ 40,568
Note payable - Due in more than one year	-	246,679	246,679
Total Liabilities	-	287,247	287,247
Fund Balances/Net Position			
Fund balances			
Assigned to			
Property held for sale	50,538		
Unassigned	375,922		
Total Fund Balances	$ 426,460		
Net Position			
Unrestricted			139,213
Total Net Position			$ 139,213

See accompanying notes to financial statements.

Industrial Development Board of the County of Hickman
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance / Statement of Activities
For the Year Ended June 30, 2012

	Governmental Fund	Adjustments	Governmental Activities
Other Financing Sources			
Direct Financing Lease Income	$ 17,046	$ -	$ 17,046
Interest Income	1,114	-	1,114
Total Income	18,160	-	18,160
Expenditures/Expenses			
Current			
Accounting	14,000	-	14,000
Advertising	451	-	451
Legal	1,965	-	1,965
Office Expense	2,724	-	2,724
Meeting Expense	443	-	443
Property Development	16,500	-	16,500
Taxes and Licenses	20	-	20
Debt Service			
Principal	38,352	(38,352)	-
Interest	17,046	-	17,046
Total Expenditures/Expenses	91,501	(38,352)	53,149
Excess of expenditures over revenues/change in net position	(73,341)	38,352	(34,989)
Fund balance/net position			
Beginning of year	499,801	-	174,202
End of year	$ 426,460	$ -	$ 139,213

See accompanying notes to financial statements.

Note 1 – Summary of significant accounting policies

Reporting Entity

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 the industrial development of, and provide additional job opportunities in, 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 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.

Government-Wide Statements

Government-wide financial statements consist of the statement of net position and the statement of activities. All economic resources and obligations of the Board are reported in the financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a function.

The fund financial statements consist of the balance sheet and the statement of revenues, expenditures and changes in fund balances. The emphasis of fund financial statements is on the major governmental fund, which is each displayed in a separate column.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Note 1 – Summary of significant accounting policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The governmental fund financial statements are 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. However, debt service expenditures are recorded only when payment is due.

The General Fund is the only fund of the Board. It accounts for all financial resources of the Board.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of certain assets, liabilities, revenues and expenses as of and for the year ended June 30, 2012. Actual results may differ from such estimates.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Board is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

> Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.
>
> Restricted - Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Board to assess, levy, charge, or otherwise mandates payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Board can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Note 1 – Summary of significant accounting policies (Continued)

Fund Balance (Continued)

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those accounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board of Directors, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Assigned Amounts in the assigned fund balance classification are intended to be used by the Board for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Directors or a Board official delegated that authority by Board Charter, formal Board Action (resolution), or by Tennessee Revised Statutes.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had be restricted, committed, or assigned.

The Board applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Note 2 – Cash and Certificates of Deposit

The Board considers cash on hand, demand deposits and short-term highly liquid investments with a maturity of three months or less, when purchased, to be cash and cash equivalents.

At June 30, 2012, Certificates of deposit consisted of the following:

Description	Interest Rate	Maturity Date	Amount
Certificate of Deposit	1.05%	December 1, 2013	$ 36,956
Certificate of Deposit	0.65%	October 19, 2013	36,850
			$ 73,806

Note 3 – 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 originally ended August 31, 2015. A first amendment to the aforementioned lease was signed on September 9, 2003, which extends the lease period to August 31, 2018. 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. The 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 from the project.

Note 4 – Property Held for Sale or Lease

The Board owns approximately 71 acres of land in Hickman County, Tennessee, as of June 30, 2012.

Address	Acres	Cost
Highway 7	14.05 acres	$ 48,400
Rivers Road	48.30 acres	1,812
Rivers Road	8.70 acres	326
		$ 50,538

Note 5 – Long Term Debt

The Board's long-term debt includes a note payable to First Farmers and Merchants Bank, payable in monthly installments of $4,617. This payment includes interest at 5.75% through September 2018. The note is secured by a deed of trust for property in Hickman County, Tennessee.

Note 5 – Long Term Debt (Continued)

Maturities of long term debt are as follows:

Year Ending June 30	Amount
2013	$ 40,568
2014	42,241
2015	44,735
2016	47,376
2017	50,173
Thereafter	62,154
Total	$ 287,247

Note 6 – Commitments and Contingencies

The Board has received parcels of land from Hickman County, Tennessee, since its inception. A reduction of support in this manner could have a significant effect on the future operations of the Board.

Note 7 – Budget

The Board's bylaws do not require an annual budget. No budget was prepared for the year ended June 30, 2012, and therefore, no budgetary comparisons are presented.

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	$ 40,568
Long-term portion of notes payable	246,679
	$ 287,247

Note 8 – Adjustments to Governmental Fund Statements (Continued)

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	$ 38,352

Note 9 – 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 10 – Change in Accounting Principles

For fiscal year 2012, the Board implemented Governmental Accounting Standards Board (GASB) Statements Nos. 63 and 65. Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows and inflows of resources, originally introduced and defined in GASB Concepts Statement No. 4, Elements of Financial Statements, as a consumption of net assets applicable to a future reporting period and an acquisition of net assets applicable to a future reporting period, respectively. Further, Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. Statement No. 65, Items Previously Reported as Assets and Liabilities reclassifies and recognizes certain items that were formerly reported as assets and liabilities as one of four financial statement elements:

- Deferred outflows of resources
- Outflows of resources
- Deferred inflows of resources
- Inflows of resources

Concepts Statement No. 4 requires that deferred outflows and deferred inflows be recognized only in those instances specifically identified in GASB pronouncements. Statement No. 65 provides that guidance.

Note 11 – Subsequent Events

The Board has evaluated events subsequent to the year ending June 30, 2012. As of this report, May 31, 2014, no events subsequent to the balance sheet date are considered necessary to be included in the financial statements for the year ended June 30, 2012.

Internal Control and Compliance Section

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
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 June 30, 2012, and have issued our report thereon dated May 31, 2014. 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.

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 an 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.

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 Board's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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 (Continued)

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 effect on the determination of 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.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

Blankenship CPA Group, PLLC

May 31, 2014