

INDUSTRIAL DEVELOPMENT BOARD OF
WILSON COUNTY, TENNESSEE

AUDITED FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
YEAR ENDED JUNE 30, 2013

INDUSTRIAL DEVELOPMENT BOARD OF WILSON COUNTY, TENNESSEE

Lebanon, Tennessee

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of the
Industrial Development Board of Wilson County

We have audited the accompanying financial statements of the governmental activities and major fund of the Industrial Development Board of Wilson County as of and for the year ended June 30, 2013, which collectively comprise the Board's 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 auditor's 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Industrial Development Board of Wilson County, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 3 through 6 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Industrial Development Board of Wilson County's basic financial statements. The schedule of principal financial officials and directors is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of principal financial officials and directors has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013, on our consideration of the Industrial Development Board of Wilson County'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 Industrial Development Board of Wilson County's internal control over financial reporting and compliance.

Dempsey Vantruse & Follis LLC

Lebanon, Tennessee
December 12, 2013

Management's Discussion And Analysis

This section of the Industrial Development Bond Board of Wilson County's audited financial statements presents our discussion and analysis of the Organization's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights

- The Organization's net position increased \$1,614 over the course of this year's operations. The change in net position is a 94.24% decrease from the fiscal year ended June 30, 2012.
- During the year, the Organization's operating revenues exceeded operating expenses by \$380. In the prior year, operating revenues exceeded operating expenses by \$26,713.
- The total cost of the Organization's activities decreased 98.58% in the fiscal year ended June 30, 2013.

Overview Of The Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Organization:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Organization's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Organization, reporting the Organization's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide Statements

The government wide statements report information about the Organization as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Organization's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the Organization's net position and how they have changed. Net position – the difference between the Organization's assets and liabilities – is one way to measure the Organization's financial health, or position.

- Over time, increases or decreases in the Organization's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Organization you need to consider additional non-financial factors.

Fund Financial Statements

The fund financial statements provide more detailed information about the Organization's most significant funds – not the Organization as a whole. Funds are accounting devices that the Organization uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and bond covenants.
- Other funds are established to control and manage money for particular purposes or to show that the government is properly using taxes.

The Organization has only one kind of fund:

- Governmental funds – Most basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. Because this information does not encompass the additional long-term focus of the government-wide statements, a reconciliation is presented at the bottom of the government funds statements that explains the relationships (or differences) between them.

Financial Analysis Of The Organization As A Whole

Net Position. The Organization's net position increased \$1,614 between fiscal years 2012 and 2013. In comparison, net position for the fiscal year ended June 30, 2012 increased \$28,023 from the fiscal year ended June 30, 2011. Net income from ongoing operations decreased \$26,333 from fiscal year 2012 to 2013.

Net Position
June 30, 2013 and June 30, 2012

	2013	2012	% Change
Current and Other Assets	<u>\$288,939</u>	<u>\$287,325</u>	0.56%
Total Assets	<u>\$288,939</u>	<u>\$287,325</u>	0.56%
Current and Other Liabilities	\$ 2,000	\$ 2,000	0.00%
Net position, unrestricted	<u>286,939</u>	<u>285,325</u>	0.57%
Total Liabilities & Net Position	<u>\$288,939</u>	<u>\$287,325</u>	0.56%

Net Position increased \$1,614 or 0.56% from fiscal year 2012 to 2013.

Changes In Net Position. The Organization's operating revenues decreased \$26,350 during the fiscal year ended June 30, 2013. The Organization's primary sources of revenue are application fees on new bond issues or on PILOT program property. The amount of the fee charged is based on the face amount of the bond issue or the value of the property involved, if it is not a bond issue. If the project is not a bond issue, the fee is reduced by 1/5. The remaining income is from interest earned on certificates of deposit. Cost of programs decreased \$26,333, or 98.58% from fiscal year 2012 to 2013.

Changes In Net Position
June 30, 2013 and June 30, 2012

	2013	2012	% Change
Operating Revenues	\$ 2,400	\$28,750	91.65%
Operating Expenses	<u>(2,020)</u>	<u>(2,037)</u>	- 0.83%
Operating Income (Deficit)	380	26,713	98.58%
Non operating Income	<u>1,234</u>	<u>1,310</u>	- 5.80%
Increase (Decrease) in Net Position \$	<u>1,614</u>	<u>\$ 28,023</u>	94.24%

Contacting The Organization's Financial Management

This financial report is designed to provide the citizens, taxpayers and clients of the Industrial Development Bond Board of Wilson County information about the Organization's finances and to demonstrate the Organization's accountability for the money it receives. If you have questions about this report or need additional information, contact the Industrial Development Bond Board of Wilson County, 115 N Castle Heights Avenue, Suite 102, Lebanon, TN 37087, Phone: 615.443.1210.

INDUSTRIAL DEVELOPMENT BOARD OF WILSON COUNTY, TENNESSEE

Statement of Net Position

June 30, 2013

ASSETS

Cash in bank	\$ 60,190
Certificates of deposit	228,299
Interest receivable	450
Total Assets	<u>\$ 288,939</u>

LIABILITIES AND NET POSITION

Accounts payable	\$ 2,000
Net position, unrestricted	286,939
Total Liabilities and Net Position	<u>\$ 288,939</u>

See accompanying notes to financial statements.

INDUSTRIAL DEVELOPMENT BOARD OF WILSON COUNTY, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2013

<u>FUNCTION/PROGRAM ACTIVITIES</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Industrial development	\$ -	\$ 2,400	\$ 2,400
General and administrative	2,020	-	<u>(2,020)</u>
Net Function/Program Revenue (Expense)			380
 <u>GENERAL REVENUES</u>			
Interest income			<u>1,234</u>
Change in Net Position			1,614
Net Position, Beginning			<u>285,325</u>
Net Position, Ending			<u><u>\$ 286,939</u></u>

See accompanying notes to the financial statements.

INDUSTRIAL DEVELOPMENT BOARD OF WILSON COUNTY, TENNESSEE

Balance Sheet - Governmental Fund

June 30, 2013

ASSETS

Cash in bank	\$	60,190
Certificates of deposit		228,299
Interest receivable		450
Total Assets	\$	<u>288,939</u>

LIABILITIES AND FUND BALANCE

Accounts payable	\$	2,000
Fund balance-Unassigned		286,939
	\$	<u>288,939</u>

Reconciliation to Statement of Net Position:
Fund balance: Unassigned

\$ 286,939

Net position of governmental activities

\$ 286,939

See accompanying notes to financial statements.

INDUSTRIAL DEVELOPMENT BOARD OF WILSON COUNTY, TENNESSEE

Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2013

<u>Revenues</u>	
Fees	\$ 2,400
<u>Expenditures</u>	
Audit	2,000
License and permits	20
Total Expenditures	<u>2,020</u>
Excess of expenditures over revenues	380
<u>Other income</u>	
Interest	<u>1,234</u>
Excess of expenditures over revenues and other income	1,614
Fund Balance June 30, 2012	<u>285,325</u>
Fund Balance June 30, 2013	<u>\$ 286,939</u>
Reconciliation to Statement of Activities:	
Excess of expenditures over revenues and other income	<u>\$ 1,614</u>
Change in net position	<u>\$ 1,614</u>

See accompanying notes to the financial statements.

INDUSTRIAL DEVELOPMENT BOARD OF WILSON COUNTY, TENNESSEE
Notes to the Financial Statements
June 30, 2013

Note 1- Organization and summary of significant accounting policies

General

The Industrial Development Board of Wilson County, Tennessee (the "Board") was created under the Industrial Development Corporation Act of 1955, as amended, for the purpose of financing projects with tax-exempt debt which will increase trade and commerce, contribute to the general welfare, and create employment in Wilson County, Tennessee. The Board is governed by a nine-member board of directors with staggered terms. Functions are carried out by an uncompensated volunteer board and staff, and the Board meets in borrowed public facilities.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Board as a whole. Individual funds are not displayed in the government-wide financial statements and the Board has only governmental activities supported by fees and general revenues.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Organization's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for the governmental funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Board are prepared in accordance with generally accepted accounting principles (GAAP).

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Board considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

INDUSTRIAL DEVELOPMENT BOARD OF WILSON COUNTY, TENNESSEE
Notes to the Financial Statements
June 30, 2013

Note 1- Organization and summary of significant accounting policies-continued

The general spending policy is to consider restricted resources to have been used first, followed by committed, assigned, and unassigned amounts when expenditures have been incurred for which resources in more than one classification could be used.

Fund Types and Major Funds

The Board reports the following major governmental fund:

General Fund- The General Fund is the general operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund.

Income tax status

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

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires 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.

Concentration of risk

The Board conducts business in full in Wilson County.

Budget

The Board's by-laws do not require an annual budget. No budget was prepared for the year ending June 30, 2013 and, therefore, no budgetary comparisons are presented.

Note 2- Revenues

On August 23, 1983, as amended on January 11, 2000, the Board adopted a statement of policy regarding borrowing fees for project financing. The policy requires any project financed through the Board to be issued a minimum of \$200,000 of Industrial Revenue Bonds and to employ at least ten persons, except for Pollution Control Projects, which are allowed less than ten employees. A non-refundable application fee of \$250 is required for each submitted project. Upon approval of the project by the Board, the fee is applied to the borrowing fee paid by the borrower. Borrowing rates are paid by borrowers upon issuance of Industrial Revenue Bonds at the rate of .5% of the issue amount up to \$1,000,000 plus .25% of the issue amount over \$1,000,000. In the event that a project is approved by the Board which does not involve the issuance of bonds, the term "issue amount" shall be defined as the total value of property of which the Board agrees to accept ownership, and the charge shall be reduced to 1/5th of the allowed amount.

During the fiscal year ended June 30, 2013, there was one project with bonds in the amount of \$3,300,000. The total application and borrowing fees earned in the fiscal year ended June 30, 2013 were \$2,400. Under the program, City

INDUSTRIAL DEVELOPMENT BOARD OF WILSON COUNTY, TENNESSEE
Notes to the Financial Statements
June 30, 2013

Note 2 - Revenues, continued

and County real property values are normally frozen at the pre-development level for a period of time (up to 7 years) and personal property is held at 10% level of year one for a period of time (up to 7 years). During the freeze period, "payments in lieu of property taxes" ("PILOT") are made. Title to the property is transferred to the Board for the period of the tax freeze, and is then returned to the business at the end of the period for a nominal fee. The Board does not record the property as an asset on its balance sheet, since there would be an offsetting liability back to the business in a like amount.

Note 3- Conduit debt obligations

The Board has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities determined to be in the public interest. The bonds are secured by the property financed and are payable strictly from payments received on the applicable mortgage loans. Ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance upon bond repayment. The Board, the State, or any of its political subdivisions, are not obligated under any circumstance for the repayment of the bonds. Therefore, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2013, there were twenty-five series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable at original issuance of \$173.2 million.

Note 4- Related party transactions

At June 30, 2013, the Board maintained certificates of deposit in the amount of \$30,819 at a financial institution where the Board's chairman is employed and certificates of deposit in the amount of \$130,935 at a financial institution where the Board's treasurer is employed.

Note 5- Risk management

The Board is exposed to various risks related to general liability and property and casualty losses. For this reason, the Board is covered under a surety commercial crime insurance policy. Risks not covered by the surety insurance are uninsured and retained by the Board. The Board had no claims during the year ended June 30, 2013. Settled claims have not exceeded coverage in any of the three preceding fiscal years.

Note 6- Deposits with financial institutions

State statutes authorize the Board to invest in obligations of the United States Government and its agencies; the Local Investment Pool of the State of Tennessee; certificates of deposit; and mutual and money market funds with state approval. Tennessee Law requires all deposits with financial institutions other than savings and loan associations to be collateralized in an amount equal to 105% of the face amount of uninsured deposits.

The Board's bank deposits, including cash and certificates of deposit, totaled \$288,489 at June 30, 2013 and were insured by FDIC or collateralized under the state bank collateral pool.

ADDITIONAL INFORMATION

INDUSTRIAL DEVELOPMENT BOARD OF WILSON COUNTY, TENNESSEE

Statement of Principal Financial Officials and Directors (Unaudited)

June 30, 2013

<u>Name</u>	<u>Title</u>	<u>Bond Amount</u>
Phillip Smartt	Chairman	\$ 50,000
Elmer Richerson	Treasurer	50,000
Scott, Don	Vice Chariman	
G.C. Hixson	Secretary	
Edwin Brown	Director	
H.A. Mires	Director	
Al L Partee Jr	Director	
Vondie Smith	Director	
John B. Bryan	Director	

INTERNAL CONTROL AND COMPLIANCE

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

To the Comptroller of the Treasury
and the Board of Directors
Industrial Development Board of Wilson County
Lebanon, Tennessee

We have audited, in accordance with the 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, the financial statements of the governmental activities and major fund of Industrial Development Board of Wilson County, (the "Board"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Industrial Development Board of Wilson County's basic financial statements, and have issued our report thereon dated December 12, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Industrial Development Board of Wilson County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Industrial Development Board of Wilson County's internal control. Accordingly, we do not express an opinion on the effectiveness of Industrial Development Board of Wilson County'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 entity'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Industrial Development Board of Wilson County's financial statements are free from 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 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 entity'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.

Dempsey Vantrase + Follis PLLC

Lebanon, Tennessee
December 12, 2013