

CANNON COUNTY INDUSTRIAL

DEVELOPMENT BOARD

Annual Financial Report

For the Year Ended June 30, 2014

CANNON COUNTY INDUSTRIAL DEVELOPMENT BOARD

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Financial Section

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Independent Auditor's Report

Board of Directors
Cannon County Industrial Development Board
Woodbury, Tennessee

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and the major fund of the Cannon County Industrial Development Board as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Industrial Development 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted the 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for the audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund of the Cannon County Industrial Development Board as of June 30, 2014, and the changes in its 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

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. My opinion on the basic financial statements is not affected by this missing information.

Other Matters -Other Information

The audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cannon County Industrial Development Board's basic financial statements. The Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Supplementary 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 30, 2014 on the consideration of the Board's internal control over financial reporting and the tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of the 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* in considering the entity's internal control over financial reporting and compliance.

Jah R Poole, CPA

September 30, 2014

Basic Financial Statements

CANNON COUNTY INDUSTRIAL DEVELOPMENT BOARD

Statement of Net Position

June 30, 2014

<u>Assets</u>	<u>Total</u>
Cash and cash equivalents	\$207,632
Accounts receivable	110
Capital assets, not depreciated	372,500
Capital assets, net of accumulated depreciation	<u>1,786,515</u>
Total Assets	<u><u>\$2,366,757</u></u>
<u>Liabilities</u>	
Long term debt:	
Due in less than a year	47,703
Due in more than a year	318,070
Total Liabilities	<u>365,773</u>
Net Position:	
Net investment in capital assets	1,793,242
Unrestricted	207,742
Total Net Position	<u><u>\$2,000,984</u></u>

See accompanying notes to financial statements.

CANNON COUNTY INDUSTRIAL DEVELOPMENT BOARD

Statement of Activities

For the Year Ended June 30, 2014

<u>Function/Programs</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue and Changes in Net Position</u>		<u>Total</u>
	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	
General government - Industrial Park	138,456	152,620	0	14,164	14,164
Total Governmental Activities	<u>138,456</u>	<u>152,620</u>	<u>0</u>	<u>14,164</u>	<u>14,164</u>
General Revenues:					
Other				0	0
Total general revenues				<u>0</u>	<u>0</u>
Changes in net position				14,164	14,164
Net position - beginning of year				1,986,820	1,986,820
Net position - ending of year				<u>2,000,984</u>	<u>2,000,984</u>

See accompanying notes to financial statements.

Fund Financial Statements

CANNON COUNTY INDUSTRIAL DEVELOPMENT BOARD

Balance Sheet

General Fund

June 30, 2014

Assets

Cash and cash equivalents	\$207,632
Accounts receivable	<u>110</u>
Total Assets	<u>\$207,742</u>

Liabilities and Fund Balance

Liabilities:

Accounts payable	<u>0</u>
Total Liabilities	<u>0</u>

Fund balance:

Unassigned	<u>207,742</u>
Total Fund Balance	<u>207,742</u>

Total Liabilities and Fund Balance	<u>\$207,742</u>
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The notes accompanying the financial statements are an integral part of these financial statements.

CANNON COUNTY INDUSTRIAL DEVELOPMENT BOARD

**Reconciliation of the Balance Sheet to the Statement of Net Position
of Government Activities**

June 30, 2014

Amounts reported for fund balance - total governmental funds	\$	207,742
Amounts reported for governmental activities in the statement of net position are different because the operating funds do not report:		
Investment in capital assets		2,159,015
Long-term debt		<u>(365,773)</u>
Net position of governmental activities	\$	<u><u>2,000,984</u></u>

CANNON COUNTY INDUSTRIAL DEVELOPMENT BOARD

Governmental Fund
Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2014

Revenues:	
Rent	\$ 152,620
Total Revenues	<u>152,620</u>
Expenditures:	
Professional services	17,503
Advertising	2,213
Repair and maintenance	8,249
Miscellaneous	921
Debt service	59,173
Capital outlay	66,501
Total Expenditures	<u>154,560</u>
Excess (deficiency) of revenues over expenditures	<u>(1,940)</u>
Fund Balance, Beginning of year	209,682
Fund Balance, End of year	<u>207,742</u>

See accompanying notes to financial statements.

CANNON COUNTY INDUSTRIAL DEVELOPMENT BOARD

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

For the Year Ended June 30, 2014

Net change in fund balances - total governmental funds: \$ (1,940)

Amounts reported for governmental activities in the statement of net position are different because:

Operating funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Acquisition of capital assets	66,501
Depreciation expense	(94,044)

Revenues and expenses in the operating funds that reduce long-term liabilities are not reported in the statement.

Principal payments	<u>43,647</u>
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Change in net position of governmental activities	\$ <u><u>14,164</u></u>
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Notes to Financial Statements

Cannon County Industrial Development Board

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

Reporting Entity:

The Cannon County Industrial Development Board (Board) consists of members appointed by the County. As an agency for the County, the Board has been delegated the authority to develop, operate and maintain industrial sites for the benefit of the community.

The accounting policies of the Cannon County Industrial Development Board conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Government -Wide and Fund Financial Statements

The Government-wide financial statements, the statement of Net Position and the statement of activities report information on all of the financial activities of the Board.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (I) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Measurement Focus and Availability

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers most governmental revenues as available if received within 45 days of years end. Expenditures are recorded generally when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Cannon County Industrial Development Board

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies, Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded generally when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

The Board reports the following major fund:

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

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of checking accounts and a money market account. When both restricted and unrestricted resources are available for use, it is the Board's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted funds are used the Board uses committed, assigned then unassigned funds.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets consisting of certain improvements other than buildings are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Board as assets with an individual cost of \$5,000 and an estimated useful life in excess of three years. Donated fixed assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Cannon County Industrial Development Board

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Depreciation is provided over the estimated useful lives using the straight line method.

The estimated useful lives are as follows:

Land improvements	10-15 years
Buildings	25-40 years
Machinery and Equipment	5-10 years

Budget and Budgetary Accounting

The Board is not legally required to adopt a budget; therefore, no budget comparison is presented in these financial statements.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Board’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Credit Risk

Financial instruments that potentially subject the Board to significant concentrations of credit risk consist principally of cash and cash equivalents. The Board places its cash with federally-insured financial institutions or institutions participating in the State collateral pool.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds and are presented in the accompanying financial statements as other assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Cannon County Industrial Development Board

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Fund Balance

The Board implemented GASB 54 which addresses issues related to how fund balances are reported. Fund balances are now reported in the following manner:

Nonspendable fund balances – amounts that are not in a spendable form, Restricted fund balance – amounts constrained to specific purposes by their providers, provisions, or by enabling legislation, Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint, Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority, Unassigned fund balance – amounts that are available for any purpose; these amounts are reported only in the general fund. Only by Board approval can fund balance amounts be classified as committed or assigned.

(2) Cash and Cash Equivalents

The Board is authorized to invest funds in Federal treasury bills and notes, State of Tennessee Local Government Investment Pool and financial institution demand deposit accounts and certificates of deposit. Deposits in financial institutions are required by State Statute to be secured and collateralized by the institutions. The Board has deposit policies to minimize custodial credit risks. The collateral must meet certain requirements and be deposited in an escrow account in a second bank for the benefit of the Board and must total a minimum 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. The Board’s deposits with financial institutions are fully insured or collateralized by securities held in the Board’s name.

(3) Capital Assets

A summary of changes in general capital assets as presented in the governmental activities column of the government-wide financial statements is as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Land	372,500	-	-	372,500
Buildings and improvements	3,502,350	61,301	-	3,563,651
Equipment	<u>21,000</u>	<u>5,200</u>	<u>-</u>	<u>26,200</u>
Total	<u>3,895,850</u>	<u>66,501</u>	<u>-</u>	<u>3,962,351</u>
Accumulated depreciation – buildings	(1,705,675)			(1,797,994)
Accumulated depreciation – equipment	<u>(3,617)</u>			<u>(5,342)</u>
Capital assets - net	<u>2,186,558</u>			<u>2,159,015</u>

Depreciation expenses for the year was \$94,044 - \$92,319 for buildings and \$1,725 for equipment.

Cannon County Industrial Development Board

Notes to Financial Statements

June 30, 2014

(4) Long Term Debt

A summary of changes in long-term debt as presented in the governmental activities column of the government-wide financial statements is as follows:

	Balance <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
Loan from State of Tennessee	219,011	-	28,797	190,214
Loan from Cumberland Area Investment	<u>190,409</u>	<u>-</u>	<u>14,850</u>	<u>175,559</u>
Total	<u>409,420</u>	<u>-</u>	<u>43,647</u>	<u>365,773</u>

Cannon County Industrial Development Board borrowed funds for the acquisition and construction of major capital facilities.

(5) Commitments and Contingencies

Litigation:

There are no pending lawsuits in which the Board is involved which are material to the financial statements.

Grants:

Amounts received from Grantor agencies are subject to audit and adjustment by Grantor agencies, principally the Federal government. Any disallowed claims including amounts already collected, could become a liability of the applicable fund.

Supplemental Information

CANNON COUNTY INDUSTRIAL DEVELOPMENT BOARD

Schedule of Debt Service Requirements

June 30, 2014

<u>Year</u>		Total	Total
		<u>Principal</u>	<u>Interest</u>
2015	\$	47,703	12,003
2016		48,988	11,100
2017		50,743	9,345
2018		52,544	7,544
2019		54,412	5,677
2020		34,409	3,914
2021		19,860	2,916
2022		20,772	2,004
2023		21,725	1,049
2024		14,617	153
	\$	<u>365,773</u>	<u>55,705</u>

Compliance and Internal Control

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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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
Cannon County Industrial Development Board
Woodbury, Tennessee

I 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 Cannon County Industrial Development Board as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Cannon County Industrial Development Board's financial statements and have issued a report thereon dated September 30, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Cannon County Industrial Development Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Cannon County Industrial Development Board's internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization'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 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.

My consideration of the 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 the audit I did not identify any deficiencies in internal control that I 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 the Cannon County Industrial Development Board'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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the 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 the testing of internal control and compliance and the result 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.

John R. Poole, CPA

September 30, 2014