

JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

JEFFERSON, GEORGIA

FINANCIAL STATEMENTS

(WITH INDEPENDENT AUDITORS' REPORT)

For the Fiscal Year Ended

December 31, 2009 and 2008

JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
JEFFERSON, GEORGIA

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INDEPENDENT AUDITORS' REPORT

March 9, 2010

To the Members of the Board
JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
Jefferson, Georgia

We have audited the accompanying financial statements of the business-type activities of JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY, as of and for the years ended December 31, 2009 and 2008, which comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the business-type activities of JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY, as of December 31, 2009 and 2008, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2010, on our consideration of JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Bates, Carter & Co, LLP

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JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
December 31, 2009 and 2008

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND	
	2009	2008
ASSETS		
Current Assets		
Cash	\$ 21,674	\$ 23,316
Certificates of deposit	35,923	35,439
Investments	267,716	336,278
Interest Receivable	114	187
Prepaid expenses	150	-
Total Current Assets	325,577	395,220
Noncurrent assets		
Land held for sale	421,096	421,096
Total Noncurrent Assets	421,096	421,096
TOTAL ASSETS	746,673	816,316
 LIABILITIES		
Current Liabilities		
Due to other governments	150	37,490
Total Current Liabilities	150	37,490
TOTAL LIABILITIES	150	37,490
 NET ASSETS		
Unrestricted net assets	746,523	778,826
TOTAL NET ASSETS	\$ 746,523	\$ 778,826

The accompanying notes are an integral part of this financial statement.

JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
For the Years Ended December 31, 2009 and 2008

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND	
	2009	2008
Operating Expenses		
Chamber of Commerce	\$ 30,150	\$ 30,150
Miscellaneous expenses	31	-
Professional fees	2,900	3,750
Promotional	4,016	400
	37,097	34,300
Total operating expenses	37,097	34,300
Operating income (loss)	(37,097)	(34,300)
Non-operating Revenues (Expenses)		
Investment income	1,894	9,434
Subsidy from Jackson County	2,900	3,750
	4,794	13,184
Total non-operating revenues (expenses)	4,794	13,184
Income (loss) before contributions	(32,303)	(21,116)
CHANGE IN NET ASSETS	(32,303)	(21,116)
NET ASSETS, Beginning of year	778,826	799,942
NET ASSETS, End of Year	\$ 746,523	\$ 778,826

The accompanying notes are an integral part of this financial statement.

JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Years Ended December 31, 2009 and 2008

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUND	
	2009	2008
Cash flows from operating activities		
Payments to suppliers	\$ (71,687)	\$ (30,550)
Net cash provided by (used in) operating activities	<u>(71,687)</u>	<u>(30,550)</u>
Cash flows from investing activities		
Investment income	529	1,256
Proceeds from sale of investments	70,000	-
Net cash provided by (used in) investing activities	<u>70,529</u>	<u>1,256</u>
Net increase (decrease) in cash and cash equivalents	(1,158)	(29,294)
Cash and cash equivalents at beginning of year	<u>58,755</u>	<u>88,049</u>
Cash and cash equivalents at end of year	<u>\$ 57,597</u>	<u>\$ 58,755</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (37,097)	\$ (34,300)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Non-cash subsidy from Jackson County	2,900	3,750
(Increase) decrease in prepaid expenses	(150)	-
Increase (decrease) in due to other government	(37,340)	-
Net cash provided by (used in) operating activities	<u>(71,687)</u>	<u>(30,550)</u>
 SUPPLEMENTAL CASH FLOW DISCLOSURE		
Noncash operating and financing activities:		
Subsidy from Jackson County	2,900	3,750
Investment earnings reinvested	-	8,304
Total noncash operating and financing activities	<u>\$ 2,900</u>	<u>\$ 12,054</u>
Used for:		
Auditing Fees	<u>\$ 2,900</u>	<u>\$ 3,750</u>

The accompanying notes are an integral part of this financial statement.

JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY

The JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY is the basic level of government which has oversight responsibility and control over activities related to industrial development in Jackson County, Georgia. The authority receives most of its operating revenues from revenue bonds issued and from sale of land for development of business in Jackson County.

B. FUND ACCOUNTING

Because the Authority is a special-purpose government engaged only in business-type activities, it is not required to present a statement of activities to comply with the provisions of GASB Statement 34.

The Authority uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

The Authority has one fund, which is a proprietary (enterprise) fund.

Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to the private sector - where the intent of the governing body is that the expenses, including depreciation of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

C. BASIS OF ACCOUNTING

Proprietary funds are accounted for on a flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Authority applies all applicable FASB pronouncements up to November 30, 1989, in accounting and reporting for its operations and all GASB pronouncements thereafter.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues for the Authority are sales of land for economic development. Operating expenses for the Authority include the cost of land purchased for resale and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. BUDGETS

The Authority is not legally required to adopt a budget.

E. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and cash equivalents consist of all cash balances and highly liquid investments with maturity of three months or less.

Investments are reported at fair value as of the balance sheet date. Increases or decreases in fair value during the year are recognized as part of investment income.

F. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009**

NOTE 2 - DEPOSITS AND INVESTMENTS

DEPOSITS: At December 31, 2009, the carrying amount of the Authority's deposits was \$57,597 and the bank balance was \$57,597.

Custodial credit risk - deposits. In case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned. The Authority's policies permit it to exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions if the funds are otherwise adequately secured. At December 31, 2009, all of the Authority's deposits were insured or collateralized with securities held by the County or by its agent in the County's name.

Statutes require collateral pledged in the amount of 110% of deposits.

Depositories may secure deposits of public funds using the dedicated method or the pooled method as described below.

- Under the dedicated method, a depository shall secure the deposits of each of its public depositors separately.
- Under the pooled method, a depository shall secure deposits of public bodies which have deposits with it through a pool of collateral established by the depository with a custodian for the benefit of public bodies having deposit with such depository as set forth in code Section 45-8-13.1.

The Authority utilized the dedicated method to secure deposits of public funds.

INVESTMENTS: At December 31, 2009, the Authority had the following investments:

Investment Type	Fair Value	<u>Investment Maturities (in Years)</u>				Rating (1)
		Less Than 1	1-5	6-10	More Than 10	
Georgia Fund 1	\$ <u>267,716</u>	\$ <u>267,716</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	AAAm
Maximum Investment (1) <i>Standard & Poors</i>		100%				

The Local Government Investment Pool, "Georgia Fund 1", created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAAM rated money market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is managed by the Office of Treasury and Fiscal Services. The pool is not registered with the

JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on \$1.00 per share. The Authority has no investment policy that would further limit its investment choices. Investments are carried at fair value. Unrealized gain is recognized as income.

Interest rate risk. The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State statutes authorize the Authority to invest in obligations of the U.S. Treasury and of its agencies and instrumentalities; bonds or certificates of indebtedness of this state and of its agencies and instrumentalities; certificates of deposits of banks insured by FDIC. State law allows investments in bonds, debentures, notes or other evidences of indebtedness of any solvent corporation subject to certain conditions. The Authority is also able to invest in land and infrastructure for economic development purposes. The Authority has no investment policy that would further limit its investment choices. At December 31, 2009, the ratings of its investments are shown above.

Concentration of credit risk. The Authority places no limit on the amount it may invest in any one issuer.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

NOTE 3 - TRUSTEE RELATIONSHIPS

The JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY has entered into a joint-venture agreement with the City of Commerce, Georgia and Jackson County related to the developing, constructing, and leasing or selling of the East Jackson Industrial Park. The development and construction phases are complete. All proceeds from the sale of land in the East Jackson Industrial Park are to be divided equally between the Authority, Jackson County Board of Commissioners and the City of Commerce.

JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

The JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY has entered into a joint-venture agreement with the City of Jefferson, Georgia and Jackson County related to the developing, constructing, and leasing or selling of the Central Jackson Industrial Park. The development and construction phases are complete. All proceeds from the sale of land in the Central Jackson Industrial Park are to be divided equally between the Authority, Jackson County Board of Commissioners and the City of Jefferson.

In each joint-venture, the JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY is only responsible for promoting the projects and providing general management and administrative services. Separate financial statements are not issued for these joint ventures.

NOTE 4 - CONDUIT DEBT OBLIGATIONS

From time to time, the Authority has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying leases. Upon repayment on the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the Authority, the County, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2009, the amount of Industrial Revenue Bonds issued on behalf of private-sector entities outstanding was \$207,872,622.

In 2004, the Authority entered into a contract with Jackson County to issue \$16,815,000 of Series 2004 Economic Development bonds which mature March 30, 2024 and bear interest at rates from 3.00% to 5.00%. The bonds are payable solely from payments received from a contract with the County. The amount of this debt outstanding at December 31, 2009 is \$14,740,000.

In 2008, the Authority entered into a contract with Jackson County to issue \$45,000,000 of Series 2008 Economic Development bonds which mature March 31, 2028 and bear interest at 4.435%. During 2009, \$29,405,000 of these bonds were refunded by the proceeds of the Series 2009A bonds plus \$5,000,000 unspent proceeds from the 2008 bonds. The 2009 A bonds mature July 1, 2024 and bear interest at 3.7%. The bonds are payable solely from payments received from a contract with the County. The amount of the Series 2008 and Series 2009 A debt outstanding at December 31, 2009 is \$15,595,000 and \$25,050,000 respectively.

Subsequent to the end of the year, the remaining 2008 bonds were refunded by the proceeds of \$15,880,000 Series 2009 B bonds which mature July 1, 2024 and bear interest at 3.7%.

JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 5 - RISK FINANCING ACTIVITIES

The Authority is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority has no insurance coverage.

**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**

March 9, 2010

To the Members of
JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY
JEFFERSON, GEORGIA

We have audited the financial statements of the business-type activities of JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY, as of and for the year ended December 31, 2009, and have issued our report thereon dated March 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY'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 significant 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether JACKSON COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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*.

This report is intended solely for the information and use of management, the members of the Authority, others within the entity, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Bates, Carter + G, LLP