

WORTH COUNTY, GEORGIA ECONOMIC DEVELOPMENT AUTHORITY

**REPORT ON AUDIT OF FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

WORTH COUNTY ECONOMIC DEVELOPMENT AUTHORITY

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American Institute of Certified Public Accountants
Georgia Society of Certified Public Accountants
Private Companies Practice Section

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Worth County Economic Development Authority
Sylvester, Georgia

We have audited the accompanying financial statements of the business-type activities of the Worth County Economic Development Authority (the "Authority"), as of June 30, 2010, and for the year then ended, which comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Worth County Economic 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no opinion. 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 the 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.

The Worth County Economic Development Authority has not presented the Management Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statement.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Worth County Economic Development Authority as of June 30, 2010 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 September 30, 2010 on our consideration of the Worth County Economic Development Authority's internal control over financial reporting and on our 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 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 *Governmental Auditing Standards* and important for assessing the results of our audit.

Certified Public Accountants and Consultants

201 E. Pinson Street Post Office Box 589 Sylvester, Georgia 31791 P-(229)776-3311 F-(229)776-9455

Our audit was made for the purpose of forming an opinion on the financial statements that comprise the Worth County Economic Development Authority's basic financial statements. The Schedule of Operating Expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Project Cost Schedule and Source and Application of Funds Schedule are presented for additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hudson & NeSmith, CPA's

Hudson & NeSmith, CPA's
Sylvester, Georgia
September 30, 2010

**WORTH COUNTY, GEORGIA ECONOMIC DEVELOPMENT AUTHORITY
BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

WORTH COUNTY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS – PROPRIETARY FUND
June 30, 2010

Assets

Current:	
Petty Cash	\$ 100
Cash-Checking & Savings	296,961
Certificates of Deposit	150,000
Accrued Interest Receivable	1,432
Accounts Receivable - Tax Collections	13,283
Total Current Assets	461,776
Non-current:	
Note Receivable	96,913
Capital Assets:	
Buildings	1,391,964
Leasehold Improvement	40,207
Land	2,196,901
Furniture, Fixtures & Equipment	45,702
Total Capital Assets	3,674,774
Less Accumulated Depreciation	339,933
Capital Assets, Net	3,334,841
Total Non-current Assets	3,431,754
Total Assets	\$ 3,893,530

Liabilities

Current:	
Accounts Payable	\$ 762
Accrued Wages & Salaries	2,496
Payroll Taxes Payable	1,012
Accrued Interest Payable	1,432
Notes Payable, Current Portion	82,245
Total Current Liabilities	87,947
Non-current:	
Notes Payable, Non-current Portion	1,267,420
Total Liabilities	1,355,367

Net Assets

Invested in Capital Assets, Net of Related Debt	2,082,089
Unrestricted	456,074
Total Net Assets	\$ 2,538,163

The accompanying notes are an integral part of these statements.

WORTH COUNTY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS – PROPRIETARY FUND
For the Year Ended June 30, 2010

Operating Revenues:

Property Taxes \$ 288,735

Rental Income 78,000

Total Operating Revenues 366,735

Total Operating Expenses 244,125

Operating Income (Loss) 122,610

Non-Operating Revenues (Expenses):

Intergovernmental - Capital Grants (OneGeorgia Equity) 500,000

Interest Income 5,451

Miscellaneous 133

Interest Expense (41,225)

Total Non-Operating Revenues 464,359

Change in Net Assets 586,969

Total Net Assets, Beginning of Year \$ 1,951,194

Total Net Assets, End of Year \$ 2,538,163

The accompanying notes are an integral part of these statements.

WORTH COUNTY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
For the Year Ended June 30, 2010

<u>Cash Flows from (Used for) Operating Activities</u>	
Cash Received from Property Taxes	\$ 308,187
Cash Received from Tenants	78,000
Cash Paid for Goods and Services	(124,354)
Cash Paid to Employees	<u>(90,753)</u>
Net Cash Provided From (Used for) Operating Activities	<u>171,080</u>
<u>Cash Flows from (Used for) Noncapital Financing Activities</u>	
Principle Paid on OneGeorgia Note Payable	(5,721)
Interest Paid on OneGeorgia Note Payable	<u>(1,518)</u>
Net Cash Provided From (Used for) Noncapital Financing Activities	<u>(7,239)</u>
<u>Cash Flows from (Used for) Capital and Related Financing Activities</u>	
Proceeds from Long-Term Note Payable	1,300,000
Acquisition of Capital Assets	(2,044,182)
Proceeds from Capital Grant	500,000
Principle Paid on Long-Term Note Payable	(47,247)
Interest Paid on Long-Term Note Payable	<u>(38,275)</u>
Net Cash Provided From (Used for) Capital and Related Financing Activities	<u>(329,704)</u>
<u>Cash Flows from (Used for) Investing Activities</u>	
Principle from Note Receivable	5,721
Interest	4,018
Miscellaneous	<u>133</u>
Net Cash Provided From (Used for) Investing Activities	<u>9,872</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	(155,991)
Cash and Cash Equivalents at Beginning of Year	<u>603,052</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 447,061</u></u>
Cash and Cash Equivalents Consists of the Following:	
Petty	100
Checking	296,961
Certificates of Deposit	<u>150,000</u>
	<u><u>\$ 447,061</u></u>

The accompanying notes are an integral part of these statements.

WORTH COUNTY ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS – PROPRIETARY FUND (CONT.)
For the Year Ended June 30, 2010

Reconciliation of Operating Income (Loss) to Net Cash

Provided (Used) by Operating Activities

Operating Income (Loss)	122,610
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation Expense	45,356
Changes in Assets and Liabilities:	
Accounts Receivable	19,452
Accounts Payable and Other Payables	(16,338)
Net Cash Provided From (Used for) Operating Activities	<u>\$ 171,080</u>
Supplemental Disclosure:	
Interest Paid	<u>\$ 39,793</u>

The accompanying notes are an integral part of these statements.

WORTH COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 1. REPORTING ENTITY

The Worth County Economic Development Authority, hereafter the "Authority", was created by an act of the General Assembly of Georgia as a public corporation. The governing authority, or board, of the Authority shall consist of seven members appointed by the Commissioners of Roads and Revenues of Worth County for four year terms, with each member rotating off the board at the end of their respective terms. The Authority was created for the purpose of promoting and developing commercial, industrial, and manufacturing enterprises and encouraging employment within the boundaries of Worth County. The Law authorizes the corporation to issue industrial development bonds, to grant or loan money, to lease property, and to borrow money for further expansion and development of commerce within Worth County. The majority of funding is by the Commissioners of Roads and Revenues.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

The Authority is operated using the Enterprise Fund accounting of a local governmental unit. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered 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.

B. Property, Plant and Equipment, and Long-Term Liabilities

The accounting and reporting treatment applied to property, plant, and equipment, and long-term liabilities associated with a fund are determined by its measurement focus.

All property, plant, and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated property, plant, and equipment are valued at their estimated fair value on the date donated.

The Authority is accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into invested in capital assets – net or related debt, restricted and unrestricted net assets.

Depreciation is provided in the Enterprise Funds in amounts sufficient to relate the cost of the depreciable assets, to operations over their estimated service lives on the straight-line basis. Depreciation expense for the year ended June 30, 2010 amounted to \$45,356. The service lives by type of assets are as follows:

Buildings	7-40 years
Furniture and equipment	5-20 years

WORTH COUNTY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Property, Plant and Equipment, and Long-Term Liabilities - Continued

Long-Term Liabilities are reflected on the balance sheet for the current amount due at balance sheet date. All short-term portions of liabilities are reflected in the current liabilities section of the balance sheet at their current value.

Long-Term Liabilities consist of a note payable to the OneGeorgia Authority that is a part of the equity grant fund that the OneGeorgia Authority offers to rural communities to help fund economic development. Long-Term Liabilities also consist of a note payable to a local bank for financing of a land purchase for developing into a potential industrial park.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Authority funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. As allowed in Section p80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the Authority has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

D. Cash and Investments

Georgia law authorizes local governments to invest in the following types of obligations:

1. Obligations of the State of Georgia or of any other states;
2. Obligations issued by the United States;
3. Obligations fully insured or guaranteed by the United States government or governmental agency;
4. Obligations of any corporation of the United States government;
5. Prime banker's acceptances;
6. Georgia Fund 1 state investment pool;
7. Repurchase agreements; and
8. Obligations of other political subdivisions of the State of Georgia.

Any bank deposit in excess of the total FDIC insured amount must be secured by an equivalent amount of State or U.S. obligations.

Investments are recorded at cost plus accrued interest, which approximates market value.

WORTH COUNTY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Cash and Investments - Continued

For the purposes of the statement of cash flows, cash and cash equivalents include all short-term highly liquid investments with original maturities of three months or less. Instruments considered being cash equivalents include: Treasury bills, certificates of deposit, money market funds, and cash management pools.

E. Revenue Recognition

Revenues are recognized when they are earned. Revenues are earned by user fees, interest income on certificates of deposit, notes receivable, and annual tax levy assessed by the Commissioners of Roads and Revenues. The annual tax levy comprises the majority of the revenues earned by the Authority. This levy is at the discretion of the Commissioners. The Commissioners can decide from year to year either assess the levy or not assess the levy.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Proprietary funds are accounted for under the accrual basis of accounting. Operating revenues and expenses generally result from providing services. The principal operating revenues of the proprietary fund are revenues from taxes. Operating expenses for proprietary funds include administrative and maintenance expenses, utilities, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

F. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from these estimates.

G. Net Assets

Net Assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Authority's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

WORTH COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 3. CASH AND CASH EQUIVALENTS

Deposits. At year's end, the carrying amount of the Authority's deposits was \$446,961 and the bank balance was \$448,175. The entire balance is on deposit with local banks and is covered by the Federal Depository Insurance Corporation (FDIC), or by collateral held in the pledging financial institution's trust department in the Authority's name.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits (in excess of FDIC insurance) may not be returned to the Authority. As of June 30, 2010, the Authority was exposed to custodial credit risk as follows:

Uninsured and collateral held by pledging bank's trust department or agent in the Authority's name - \$198,175

The Authority does not have a deposit policy for custodial credit risk.

The carrying amount for the reporting entity totaling \$446,961, excludes \$100 in petty cash, which is not held at a financial institution.

Investments. The Authority has no other investments. All certificates of deposit owned by the Authority are classified as cash. All certificates of deposit have varying maturity dates of one year or less. These limit the risk of interest rate fluctuations.

NOTE 4. NOTE RECEIVABLE

The Authority used the proceeds from the OneGeorgia Authority's note payable to help fund a local business's expansion of its operations in order to increase the business's job base. This program is part of the equity grant fund that the OneGeorgia Authority offers to rural communities to help fund economic development.

Under the terms of this note receivable, the payments will mirror the Authority's repayment of the OneGeorgia note payable. The balance of the note receivable due to the Authority as of June 30, 2010 was \$96,913. This amount is equal to the note payable amount to the OneGeorgia Authority.

WORTH COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 5. PROPERTY AND EQUIPMENT

The Authority was created by an act of the General Assembly of Georgia in 1966. At that time another authority created by the City of Sylvester was operational. It was dissolved along with its properties into Worth County Economic Development Authority. The property consisted of land known as the Industrial Park. The Authority had to assume the debt on the land by the former authority. Later, in a joint effort of the Worth County Economic Development Authority and the City of Sylvester, Georgia, the Industrial Park was developed with joint funds and an economic development grant from the Federal government. Adequate records were not maintained through the years the Authority has been in existence to substantiate the cost of the development of the Industrial Park, so estimates provided by the engineers of the development grant of the federal government were used along with the debt assumption on the tract of land when it was purchased. The following estimates are in line with the current selling price of the land in the Industrial Park. The estimates used are as follows:

Industrial Park-94 acres of land	
Debt assumption	\$ 43,668
Estimate-Development Grant and	
Direct Cost as per Minutes dated 2-9-72	<u>450,525</u>
	<u>\$494,193</u>

The Board of Commissioners of Worth County gifted 86 acres of land and all edifices attached to the land to the Worth County Economic Development Authority. The donation was valued at fair market value at the date of the gift in accordance with Generally Accepted Accounting Principles. The amount of the donated property was \$450,000, based on an estimate of related property values. Break down of estimate follows:

Buildings	\$300,000
86 Acres of Land	<u>150,000</u>
	450,000
Less Binder	<u>6,000</u>
	<u>\$444,000</u>

The donation increased contributed capital by \$444,000.

Land remaining at June 30, 2010 consisted of the following:

Land - BRW (86 Acres)	\$150,000
Land - Poulan (2.20 Acres)	1,001
Land - HWY 82 East (204.59 Acres)	<u>2,045,900</u>
	<u><u>\$2,196,901</u></u>

WORTH COUNTY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6. INDUSTRIAL DEVELOPMENT BONDS

The Authority acts as a pass-through entity for the issuance of Industrial Development Bonds for industry or businesses in Worth County. The Authority does not directly lend the funds, but acts as a pass-through entity for a third party lending institution. In acting as a pass-through entity, the authority is not held liable for repayment of the bonds, nor is any recourse action available against the Authority by the lender or borrower. For this reason the amount of the loans are not reflected on the financial statements

NOTE 7. NOTES PAYABLE

Notes Payable consists of a note payable to the OneGeorgia Authority that is a part of the equity grant fund that the OneGeorgia Authority offers to rural communities to help fund economic development. Also, on August 27, 2009, the Authority signed a long-term note for \$1,300,000 to finance the purchase of land for a potential industrial park development. The interest rate on the note is 3.75%. The following is a summary of long-term debt for the Authority for the year ended June 30, 2010:

Business-Type Activities	7/1/2009	Increases	Decreases	6/30/2010	Amounts Due Within One Year
Note Payable, \$125,000 due in quarterly installments of \$3,620 at 3.0% interest maturing July, 2017.	\$ 102,634	\$ -	\$ 5,721	\$ 96,913	\$ 14,682
Southwest Georgia Bank, Due in 59 monthly installments of \$9,502 with a final payment of \$956,752	\$ -	\$ 1,300,000	\$ 47,248	\$ 1,252,752	\$ 67,563
Total Notes Payable	<u>\$ 102,634</u>	<u>\$ 1,300,000</u>	<u>\$ 52,969</u>	<u>\$ 1,349,665</u>	<u>\$ 82,245</u>

The annual requirements to amortize the note payable including interest, as of June 30, 2010, are as follows:

Year Ended June 30,	Principle Amount	Interest Amount	Total Amount
2011	82,245	49,882	132,127
2012	82,204	46,304	128,508
2013	85,404	43,103	128,507
2014	88,603	39,904	128,507
2015	979,822	10,392	990,214
2016-2019	31,387	1,189	32,576
	<u>\$1,349,665</u>	<u>\$ 190,774</u>	<u>\$1,540,439</u>

WORTH COUNTY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 8. DEFERRED COMPENSATION PLAN

Effective November 3, 1997, the Authority began offering its employees a Deferred Compensation Plan created in accordance with Internal Revenue Code (c) 457. The Plan is administered for the Authority by Nationwide Retirement Solutions. The Plan, Worth County Economic Development Authority Deferred Compensation Program, is a defined contribution plan and is available to all Authority employees who meet the requirements of the Plan permitting them to defer a portion of their salary until future years. The deferred compensation will not be available to employees until termination, retirement, death, or an unforeseeable emergency.

It is the opinion of the Authority that it has no liability for losses under the Plan, but does have a duty of due care that would be required of an ordinary prudent investor. The Authority believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The Authority remits employer and employee contributions directly to the third-party administrator who holds the assets in trust. Investments are managed by the Plan's trustee under the investment options of the Plan. The choice of the investment option(s) is made by the participant.

The employees of the Authority become eligible to participate immediately upon employment and are fully vested upon participation.

The value of funds in the Plan at Fair Market Value on June 30, 2010 was \$23,515. Total contribution to the Plan by the Authority for the year ended June 30, 2010 totaled \$0.

NOTE 9. NET ASSETS

None of the net assets of the Worth County Economic Development Authority is reserved or restricted.

NOTE 10. RISK MANAGEMENT

The Authority is exposed to various risks related to tort; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases commercial insurance, which provides coverage for risk of the above losses. Management believes that the coverage is adequate to preclude any significant uninsured risk exposure to the Authority. The Authority has not reduced its insurance coverage from the prior year. No settlements have exceeded insurance coverage in the past three fiscal years.

WORTH COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 11. CONTRIBUTED CAPITAL

The Authority and the City of Sylvester, in joint cooperation, developed the industrial park of the Authority. The funding for this development came from both the Authority and the City of Sylvester along with participation in an economic development grant from the Federal government. The total cost of the project could not be documented from the accounting records of the Authority. For this reason, estimates had to be used to obtain the balance for contributed capital based on the information available. The information available was taken from the recorded minutes taken during the development of the Industrial Park. The following estimates were used.

Total cost of development per minutes dated 02-09-72	\$450,525
Cost paid by the Authority's funds of the above amount per minutes dated 02-09-72	<u>109,500</u>
Contributed capital	<u>341,025</u>
Other Property	<u>444,000</u>
	<u>\$785,025</u>

The Authority, in cooperation with the County of Worth, was donated 86 acres of land and buildings for the development of an Industrial Park or industrial site. The property's estimated fair market value at the date of gift was \$450,000 in accordance with Generally Accepted Accounting Principles. Contributed capital increased accordingly in the amount of the estimated value of the property, less \$6,000 placed as a binder previously.

NOTE 12. ECONOMIC DEPENDENCY

The Authority receives a major portion of its revenues from levying property taxes on the assessed value of the county digest. The decision to implement a levy and amount of the levy rests with the County Commissioners. Therefore, the amount of property tax revenue the Authority receives is at the Commissioners' discretion from year to year.

NOTE 13. COMPENSATED ABSENCE

The Authority has no written policy for compensated absences except regarding the Executive Director's vacation time as stated in an employment agreement. After discussion with the Board, employees should take vacation leave in the year it is earned. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. Payment for sick leave is at the discretion of the board.

WORTH COUNTY ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

NOTE 14. RELATED ORGANIZATIONS

The Worth County Economic Development Authority's governing Board selects management staff, sets user charges, provides financing, establishes budgets, and controls all aspects of the Authority. The County of Worth is a related organization in that it appoints the members of the Board of the Authority and can set millage rates for the collection of tax revenues for funding purposes. The "County" does not hold title to any of the Authority's assets, nor does it have any rights to the Authority's surpluses. The Authority cannot bind the "County" for any debt obligations.

NOTE 15. ACCOUNTS RECEIVABLE – TAX COLLECTORS

As discussed in Note 12 above, the Authority receives a major portion of its revenue from Worth County property taxes. Property tax bills are issued on October 20, and became past due on December 20. Property taxes attach as an enforceable lien on property as of December 21st. The Authority contracts with the county to bill and collect its property taxes. The Authority's property tax revenues are recognized when levied. As of June 30, 2010 the accounts receivable from uncollected property taxes amounted to \$13,283 based on Worth County Tax Digest.

NOTE 16. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the state Government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

Management advised us that no legal actions were in progress by or against the Authority at June 30, 2010 that would have any material effect on the Authority's financial condition.

WORTH COUNTY ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 17. CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital Assets not being depreciated:				
Land	\$ 156,001	\$ 2,040,900	\$ -	\$ 2,196,901
Capital Assets being depreciated:				
Buildings	1,391,964	-	-	1,391,964
Leasehold Improvements	40,207	-	-	40,207
Furniture, Fixtures & Equipment	42,420	3,282	-	45,702
Total Capital Assets being depreciated	\$ 1,474,591	\$ 3,282	\$ -	\$ 1,477,873
Less accumulated depreciation	294,577	45,356	-	339,933
Total Capital Assets being depreciated, Net	1,180,014	(42,074)	-	1,137,940
Capital Assets, Net	\$ 1,336,015	\$ 1,998,826	\$ -	\$ 3,334,841

NOTE 18. SUBSEQUENT EVENTS

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through September 30, 2010, the date the financial statements were available to be issued.

WORTH COUNTY ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF OPERATING EXPENSES
JUNE 30, 2010

Operating Expenses:	
Accounting	\$ 3,500
Advertising	4,418
Bank Fees	1,512
Chamber Contract	32,083
Depreciation Expense	45,356
Dues & Subscriptions	1,477
Economic Development Service	11,178
Equipment Lease	562
Insurance	10,913
Legal	11,570
Miscellaneous	961
Office Supplies	4,913
Payroll Taxes	5,869
Repairs & Maintenance	14,103
Security & Alarms	557
Seminars & Education Expense	1,355
Telephone	3,537
Travel Expense	3,952
Utilities	3,291
Wages & Salaries	82,343
Website Maintenance	675
Total Operating Expenses	<u>\$ 244,125</u>

**WORTH COUNTY ECONOMIC DEVELOPMENT AUTHORITY
 ONEGEORGIA AUTHORITY EQUITY GRANT PROGRAM
 PROJECT COST SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2010**

Recipient: **Worth County Economic Development Authority**

Grant #: **07gq-159-3-4409**

For the Period Ending: **June 30, 2010**

<u>Program Activity</u>	<u>Activity Number</u>	<u>Latest Approved Budget</u>	<u>Accumulated Expenditures to Date</u>	<u>Accumulative Expenditures to Date (Other Funds)</u>	<u>Grand Total of Expenditures to Date</u>	<u>Questioned Costs</u>
Business Financing	L70-1201-01	\$ 125,000	\$ 125,000	\$ -	\$ 125,000	\$ -
Total		<u>\$ 125,000</u>	<u>\$ 125,000</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ -</u>

**WORTH COUNTY ECONOMIC DEVELOPMENT AUTHORITY
ONEGEORGIA AUTHORITY EQUITY GRANT PROGRAM
SOURCE AND APPLICATION OF FUNDS SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

Worth County Economic Development Authority

Recipient Name

07gq-159-3-4409

Grant Number

For the Period Ending: **June 30, 2010**

(Cumulative)

I. Total Fiscal Year 2008 OneGeorgia Authority Equity Loan Funds Awarded to Recipient:	\$ 125,000
II. Total Amount Drawdown by Recipient from OneGeorgia: from Program Year 2008:	125,000
III. Less: Funds Expended by Recipient:	<u>125,000</u>
IV. Amount of Fiscal Year 2008 Funds held by Recipient:	<u><u>\$ -</u></u>
V. Funds Still Available from Program Year 2008	<u><u>\$ -</u></u>

**WORTH COUNTY ECONOMIC DEVELOPMENT AUTHORITY
 ONEGEORGIA AUTHORITY EQUITY GRANT PROGRAM
 PROJECT COST SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2010**

Recipient: **Worth County Economic Development Authority**

Grant #: **09gq-159-3-4539**

For the Period Ending: **June 30, 2010**

<u>Program Activity</u>	<u>Activity Number</u>	<u>Latest Approved Budget</u>	<u>Accumulated Expenditures to Date</u>	<u>Accumulative Expenditures to Date (Other Funds)</u>	<u>Grand Total of Expenditures to Date</u>	<u>Questioned Costs</u>
Land Acquisition	G70-1001-01	\$ 500,000	\$ 500,000	\$ 1,545,900	\$ 2,045,900	\$ -
Total		<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 1,545,900</u>	<u>\$ 2,045,900</u>	<u>\$ -</u>

**WORTH COUNTY ECONOMIC DEVELOPMENT AUTHORITY
ONEGEORGIA AUTHORITY EQUITY GRANT PROGRAM
SOURCE AND APPLICATION OF FUNDS SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2010**

Worth County Economic Development Authority

Recipient Name

09gq-159-3-4539

Grant Number

For the Period Ending: **June 30, 2010**

(Cumulative)

I. Total Fiscal Year 2010 OneGeorgia Authority Equity Program Funds Awarded to Recipient:		\$ 500,000
II. Total Amount Drawdown by Recipient from OneGeorgia: from Program Year 2010:		500,000
III. Less: Funds Expended by Recipient:		<u>500,000</u>
IV. Amount of Fiscal Year 2010 Funds held by Recipient:		<u>\$ -</u>
V. Funds Still Available from Program Year 2010		<u>\$ -</u>

Member
American Institute of Certified Public Accountants
Georgia Society of Certified Public Accountants
Private Companies Practice Section

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

Board of Directors
Worth County Economic Development Authority
Sylvester, Georgia

We have audited the financial statements of the business-type activities of the Worth County Economic Development Authority as of and for the year ended June 30, 2010, which comprise the Authority's basic financial statements and have issued our report thereon dated September 30, 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Worth County Economic 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Worth County Economic Development Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Worth County Economic Development Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Worth County Economic Development Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Certified Public Accountants and Consultants

201 E. Pinson Street Post Office Box 589 Sylvester, Georgia 31791 P-(229)776-3311 F-(229)776-9455

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. Material weaknesses are described in the accompanying schedule of findings and responses as Items 2007-01 and 2007-02.

The Worth County Economic Development Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Worth County Economic Development Authority's responses and, accordingly, we express no opinion on them.

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

Hudson & NeSmith, CPA's

Hudson & NeSmith, CPA's
Sylvester, Georgia
September 30, 2010

WORTH COUNTY ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Worth County Economic Development Authority.
2. Two significant deficiencies were disclosed during the audit of the basic financial statements as reported in the "Report on Compliance and Other Matters and Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards." Items 2007-01 and 2007-02 are considered to be material weaknesses.
3. No instance of noncompliance, material to the basic financial statements of the Worth County Economic Development Authority, was disclosed during the audit.

FINDINGS – FINANCIAL STATEMENT AUDIT

1. Deficiency in Internal Control

PRIOR PERIOD AND CURRENT PERIOD CONDITION

2007-01 Lack of Segregation of Duties

Conditions – Accounting staff perform duties that are conflicting for internal control perspective. Overlapping of duties exists in accounting activities, particularly in the area of expenditures.

Criteria – A single employee should not complete all phases of transactions.

Cause of Condition – The Authority has a limited number of personnel.

Effect – Inadequate segregation of duties presents a risk of unauthorized use of assets occurring and not being detected within a timely period.

Recommendation – While it is not always cost beneficial or practical to have proper segregation of duties, management and the Authority should implement compensating controls which may include continual supervision of employees, rotation of employee duties and periodic internal reviews by management or others not directly involved in the daily operations of the specific functions being reviewed.

Management's Response – The Authority is limited to the hiring of additional personnel due to budget constraints. The Authority compensates for this deficiency with policies and procedures that include increased oversight by the Board of Directors and, additionally, an annual audit of its financial statements.

WORTH COUNTY ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

PRIOR PERIOD AND CURRENT PERIOD CONDITION

2007-02 Lack of Internal Controls over Financial Statement Preparation

Conditions – The Authority does not maintain its own books. The Authority uses a bookkeeping service to maintain its books on a non-generally accepted accounting principles (GAAP) basis which requires adjustments at the end of the year to reflect generally accepted accounting principles (GAAP). Management lacks the expertise with which to perform this control function.

Criteria – A management official should possess the ability to prepare and/or review the Authority's financial statements, including all required disclosures.

Cause of Condition – The personnel have no expertise in preparing financial statements in accordance with generally accepted accounting principles.

Effect – The above condition impairs management's ability to detect or prevent material misstatements in the financial statements.

Recommendation – An individual in management should have knowledge of generally accepted accounting principles (GAAP) and the ability to prepare and review the financial statements and all required disclosures.

Management's Response – The Authority is limited to the hiring of additional personnel due to budget constraints. It is not cost beneficial for the Authority to hire additional management personnel or train existing personnel to become proficient in generally accepted accounting principles.

WORTH COUNTY ECONOMIC DEVELOPMENT AUTHORITY
STATUS OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

<u>Audit Reference Number</u>	<u>Status</u>
2007-01	Uncorrected, re-cited as 2007-01 in the attached Schedule of Findings and Responses
2007-02	Uncorrected, re-cited as 2007-02 in the attached Schedule of Findings and Responses