

JACKSON COMMUNITY REDEVELOPMENT AGENCY

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY SECTION	
Directory	1
FINANCIAL SECTION	
Independent Auditor's Report	2
Management Discussion and Analysis	4
Financial Statements:	
Statement of Net Assets	5
Statement of Revenues, Expenses, and Changes in Net Assets	6
Statement of Cash Flows	7
Notes to Financial Statements	8
INTERNAL CONTROL AND COMPLIANCE SECTION	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11

INTRODUCTORY SECTION

JACKSON COMMUNITY REDEVELOPMENT AGENCY
DIRECTORY
JUNE 30, 2010

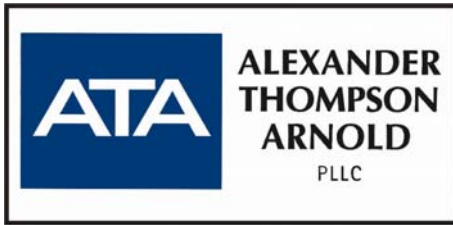
BOARD MEMBERS

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Ray Tanner, Vice Chairperson
Charles Byrd
Johnny Dodd
Nell Huntspon
Monte Jones
Greg Milam

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION



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Independent Auditor's Report

Board of Directors
Jackson Community Redevelopment Agency
Jackson, Tennessee

We have audited the accompanying financial statements of the Jackson Community Redevelopment Agency (Agency), a component unit of the City of Jackson, Tennessee, as of and for the year end June 30, 2010, as listed in the Table of Contents. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 provide a reasonable basis for our opinions.

As discussed in Note 1, the financial statements present only the Jackson Community Redevelopment Agency, and do not purport to, and do not, present fairly the financial position of the City of Jackson, Tennessee, as of June 30, 2010, and the changes in its 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 our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Agency 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 December 16, 2010, on our consideration of the Agency'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 considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 5 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.

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Jackson, TN
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Paris, TN
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Union City, TN

Board of Directors
Jackson Community Redevelopment Agency
Jackson, Tennessee

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's financial statements as a whole. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements. The introductory section 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.

Alexander Thompson Arnold PLLC

Certified Public Accountants

Jackson, Tennessee
December 16, 2010



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Jackson Community Redevelopment Agency (Agency), we present a narrative overview and analysis of the Agency's financial activities for the fiscal year ended June 30, 2010. Because this is the Agency's first year, there are no prior year comparisons. In addition, the management's discussion and analysis will provide highlights of significant financial issues and challenges facing the Agency's financial position in future years.

FINANCIAL HIGHLIGHTS

- 1) The Agency's net assets were \$2,940,618, consisting primarily of real estate.
- 2) The Agency's total liabilities were \$37,618, with \$30,000 being a loan from Affordable Housing to be paid off by March 2011.
- 3) The Agency's total operating revenues were \$28,700, reflecting rental income for a portion of the first year and capital contributions were \$2,954,001.
- 4) The Agency's total expenditures were \$42,083, consisting primarily of operation and maintenance expenses.

For a more detailed description of financial activities, refer to the financial statements provided.

AGENCY FIRST YEAR ACTIVITIES

This year marked the creation of the Agency, the development of redevelopment plan for District 1, the creation of a tax increment financing district, the purchase of over \$1.2 million dollars of property in an effort to slow the deterioration and decline in property values within District 1. Contained within the properties acquired are 33 properties purchased from Lambuth University. A majority of these properties are residential units that are currently being rented and provide a revenue stream to the Agency. However, it is not the goal of the Agency to be a long-term landlord. The goal is to rehabilitate these units and sell them for single-family home ownership. The first property to be rehabilitated is located at 708 Lambuth Boulevard, Jackson, Tennessee.

CHALLENGES FACING THE AGENCY IN THE FUTURE

The biggest challenge facing the Agency going forward will be repaying contributions received from the City of Jackson in the amount of \$1.3 million dollars. However, the projected repayment terms are very reasonable, and based on the TIF projections, the Agency should have no problem making the planned payments. Other challenges facing the Agency will be the volatility of the economy, the fluctuating property values within District 1, the downturn in residential sales, and the ever-increasing blight within the area. In light of these challenges, one might conclude that the future will be bleak for the Agency. However, with the expertise and experience of our Master Development Partner, Healthy Community LLC, the guidance of a well-seasoned group of professionals on the Agency Board, and the assistance of a variety of staff members, departments, and agencies across the City, we feel these challenges can be met effectively.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Agency's finances; and to ensure transparency relative to the Agency's fiscal operations. If you have questions about this report or need additional financial information, contact the Jackson Community Redevelopment Agency, 111 East Main Street, Suite 201, Jackson, Tennessee, 38301.

JACKSON COMMUNITY REDEVELOPMENT AGENCY
STATEMENT OF NET ASSETS
JUNE 30, 2010

ASSETS**Current assets:**

Cash and cash equivalents on deposit	\$ 74,235
Due from City of Jackson	<u>35,664</u>
Total current assets	<u>109,899</u>

Noncurrent assets:

Capital assets:

Building	1,157,593
Land	<u>1,710,744</u>
Total noncurrent assets	<u>2,868,337</u>

Total assets 2,978,236

LIABILITIES**Current liabilities:**

Accounts payable	<u>7,618</u>
Total current liabilities	<u>7,618</u>

Noncurrent liabilities:

Note payable - Affordable Housing	<u>30,000</u>
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Total liabilities 37,618

NET ASSETS

Invested in capital assets, net of related debt	2,868,337
Unrestricted	<u>72,281</u>
Total net assets	<u>\$ 2,940,618</u>

The accompanying notes are an integral part of the financial statements.

**JACKSON COMMUNITY REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010**

Operating revenues:	
Rental income	\$ 28,700
Total operating revenues	<u>28,700</u>
Operating expenses:	
Operation and maintenance	41,568
Administrative and general	<u>515</u>
Total operating expenses	<u>42,083</u>
Operating loss	(13,383)
Capital contributions	<u>2,954,001</u>
Change in net assets	2,940,618
Total net assets - beginning	<u>-</u>
Total net assets - ending	<u><u>\$ 2,940,618</u></u>

The accompanying notes are an integral part of the financial statements.

JACKSON COMMUNITY REDEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2010

Cash flows from operating activities:	
Cash received from operations	\$ 28,700
Cash paid to City of Jackson	<u>(70,129)</u>
Net cash used in operating activities	<u>(41,429)</u>
Cash flows from capital and related financing activities:	
Proceeds of note payable	30,000
Acquisition of land and buildings	(2,868,337)
Capital contributions from City of Jackson	<u>2,954,001</u>
Net cash provided by financing activities	<u>115,664</u>
Increase in cash and cash equivalents	74,235
Cash and cash equivalents - beginning	<u>-</u>
Cash and cash equivalents - ending	<u><u>\$ 74,235</u></u>
Reconciliation of operating income to net cash provided (used)	
by operating activities:	
Net operating loss	\$ (13,383)
Adjustments to reconcile net income to net cash provided by operating activities:	
Increase in current assets:	
Due from City of Jackson	(35,664)
Increase in current liabilities:	
Accounts payable	<u>7,618</u>
Net cash used in operating activities	<u><u>\$ (41,429)</u></u>

The accompanying notes are an integral part of the financial statements.

JACKSON COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Jackson Community Redevelopment Agency (Agency) was created by the City of Jackson pursuant to the State of Tennessee "Community Redevelopment Act of 1998," as amended in 2007. The Agency is operated by a seven-member Board of Directors. Five of those members, one of which must be a serving City Council member, shall be nominated by the City Mayor and approved by the City Council, and the two remaining members, one of which must be a serving County Commissioner, shall be nominated by the County Mayor, subject to the approval of the Madison County Commission. The Agency is a component unit of the City of Jackson, Tennessee.

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

The Agency's general purpose financial statements include the accounts of all Agency operations. The criteria for including organizations as component units within the Agency's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The Agency holds the corporate powers of the organization
- The Agency appoints a voting majority of the organization's board
- The Agency is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Agency
- There is fiscal dependency by the organization on the Agency

Based on the aforementioned criteria, the Agency has no component units.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Agency's financial statements are presented on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Agency distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the Agency's principal ongoing operations.

C. Assets, Liabilities, and Equity

Deposits and Investments

The Agency's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Agency to invest in certificates of deposit, obligations of the U.S. Treasury, agencies and instrumentalities, obligations guaranteed by the U.S. government or its agencies, repurchase agreements and the state's investment pool.

JACKSON COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (Cont.)
 JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Assets, Liabilities, and Equity (Cont.)

Capital Assets

Capital assets, which include property, plant, and equipment, are defined by the Agency as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. All land, construction in progress, and works of art will be included. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Agency are depreciated using the straight line method over the following useful lives:

Buildings	15 - 40 years	Infrastructure	12 - 40 years
Improvements other than buildings	20 years	Furniture and fixtures	5 – 15 years
Machinery and equipment	3 – 20 years		

Net Assets

Equity is classified as net assets and displayed in the following two components:

- Invested in Capital Assets, net of related debt - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.
- Unrestricted - All other net assets that do not meet the description of the above categories.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Agency does not adopt a formal budget at this time.

NOTE 3 – DETAILED NOTES

A. Deposits and Investments

Custodial Credit Risk

The Agency's policies limit deposits and investments to those instruments allowed by applicable state laws and described in Note 1. State statute requires that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Agency's agent in the Agency's name, or by the treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, the state pooled investment fund, and mutual funds. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2010, all bank deposits were fully collateralized or insured.

JACKSON COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS (Cont.)
 JUNE 30, 2010

B. Receivables

During the course of operations, numerous transactions occurred between the Agency and the City of Jackson. These receivables are classified as "due from City of Jackson" on the balance sheet.

C. Net Assets

Net assets represent the difference between assets and liabilities. The restricted net asset amounts were as follows:

Invested in capital assets, net of related liabilities		
Net property, plant, and equipment in services	\$	2,868,337
Unrestricted		<u>72,281</u>
Total net assets	\$	<u>2,940,618</u>

D. Capital Assets

Capital asset activity during the year was as follows:

Description	Balance at July 1, 2009	Additions	Disposals	Balance at June 30, 2010
Capital assets, not being depreciated				
Land	\$ -	\$ 1,710,744	\$ -	\$ 1,710,744
Capital assets, being depreciated				
Building	-	1,157,593	-	1,157,593
Total capital assets, net	\$ -	\$ 2,868,337	\$ -	\$ 2,868,337

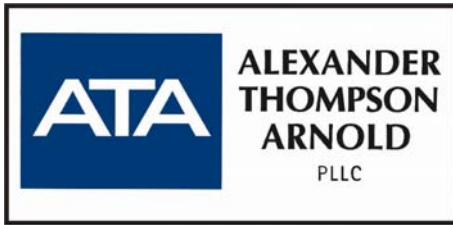
There was no depreciation expense during the year.

E. Short-term Debt

The Agency has a note payable with Affording Housing Community Development Corp. in the amount of \$30,000. This note has a 0.00% interest rate and is payable in one installment on March 30, 2011. The note is secured by property at 708 Lambuth Boulevard, in Jackson, Tennessee.

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010
Note payable to Affordable Housing Community Development Corp., 0.00% interest, due March 30, 2011.	\$ -	\$ 30,000	\$ -	\$ 30,000

INTERNAL CONTROL AND COMPLIANCE SECTION



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Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards*

Board of Directors
Jackson Community Redevelopment Agency
Jackson, Tennessee

We have audited the financial statements of the Jackson Community Redevelopment Agency (the Agency) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 16, 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 the Agency'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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 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 an entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency'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 such instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 16, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Agency, and management of the Agency, and is not intended to be and should not be used by anyone other than these specified parties.

Alexander Thompson Arnold PLLC

Certified Public Accountants