

**JACKSON COMMUNITY
REDEVELOPMENT AGENCY**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

**JACKSON COMMUNITY REDEVELOPMENT AGENCY
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INTRODUCTORY SECTION

**JACKSON COMMUNITY REDEVELOPMENT AGENCY
DIRECTORY**
June 30, 2018

BOARD MEMBERS

Vickie Lake, Chairperson
Sammy West, Vice Chairperson
Monte Jones, Treasurer
Nell Huntspon
Willie Moore
Jay Bush
Johnny Dodd

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Alexander Thompson Arnold PLLC
Jackson, Tennessee

FINANCIAL SECTION



Independent Auditor's Report

Board of Directors
Jackson Community Redevelopment Agency
Jackson, Tennessee

Report on the Financial Statements

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 ended June 30, 2018, and the related notes to financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section and schedule of expenditures of federal awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards 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. Such 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2018, 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 solely 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 effectiveness of the Agency's 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 Agency's internal control over financial reporting and compliance.



Jackson, Tennessee
November 19, 2018

FINANCIAL STATEMENTS



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, 2018. 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 position was \$4,204,794, consisting primarily of real estate.
- 2) The Agency's total liabilities were \$1,021,240, which were comprised of accounts payable and unearned revenues.
- 3) The Agency's total operating revenues were \$252,310, comprised mainly of rental income and TIF income.
- 4) The Agency's total operating expenditures were \$796,467, consisting of both operation and maintenance and administrative and general expenses.

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

Agency Activities

The Agency devoted a great deal of effort to the West Deaderick Street Improvement Project. New construction continues in the residential areas in the first phase of Jackson Walk and the new apartments are under construction in the second phase of Jackson Walk. In District 2, work continues in the Whitehall residential and commercial developments.

OVERVIEW OF THE FINANCIAL STATEMENTS

Financial Statements

The Agency's financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to private-sector business.

- The Statement of Net Position presents information on all of the Agency's assets, liabilities, and deferred inflows/outflows of revenues with the difference reported as net position. Over time, increases or decreases of net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.
- The Statement of Activities presents information showing how the Agency's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

- The Statement of Cash Flows presents changes in statement of net position accounts and how income affects cash and cash equivalents.
- Notes to Financial Statements provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements.

Statement of Net Position - Net position may serve over time as a useful indicator of a government's financial position. In the case of the Agency, assets exceeded liabilities by \$4.20 million at the close of the most recent year. The largest portion of the Agency's net position (89.05%) reflects the investment in capital assets (e.g., land and buildings). The Agency develops these capital assets in order to slow the deterioration and decline in property values as noted above. The Agency also had a restricted net position (1.65%) that represents program income related to the Neighborhood Stabilization Program (NSP) grant and the Section 108 Loan Guarantee Program. These funds will be used for the initial purpose of the NSP grant. The remaining balance of net position represents unrestricted net position (9.30%) that may be used to meet the Agency's ongoing obligations to creditors. At the end of the current year, the Agency is able to report positive balances in all categories of net position.

	<u>6/30/2018</u>	<u>6/30/2017</u>
Current assets	\$ 1,481,569	\$ 1,316,853
Capital assets	3,744,465	3,617,990
Total assets	<u>5,226,034</u>	<u>4,934,843</u>
Current liabilities	<u>1,021,240</u>	<u>880,980</u>
Total liabilities	<u>1,021,240</u>	<u>880,980</u>
Net position:		
Investment in capital assets	3,744,465	3,617,990
Restricted	69,360	300,300
Unrestricted	390,969	135,573
Net position	<u>\$ 4,204,794</u>	<u>\$ 4,053,863</u>

Statement of Activities – Revenues exceed expenses by \$151 thousand for the Agency's current year activities. The Agency had an operating loss of \$544 thousand for the current as well as net non-operating income of \$695 thousand for the current year.

	<u>6/30/2018</u>	<u>6/30/2017</u>
Operating revenues	\$ 252,310	\$ 392,714
Operating expenses	<u>796,467</u>	<u>749,627</u>
Operating income (loss)	<u>(544,157)</u>	<u>(356,913)</u>
Non-operating revenues & transfers	<u>695,088</u>	<u>58,470</u>
Increase in net position	150,931	(298,443)
Net position - beginning	<u>4,053,863</u>	<u>4,352,306</u>
Net position - ending	<u>\$ 4,204,794</u>	<u>\$ 4,053,863</u>

The decrease in operating revenues was primarily due to the Agency no longer receiving HUD income. The increase in non-operating revenues was due primarily to a contribution from City of Jackson in the amount of \$250,000 and \$500,000, a portion of which is still unearned, for West Deaderick Street Improvement Project.

Capital Assets

The Agency's investment in capital assets as of June 30, 2018 and June 30, 2017 amounts to \$3,744,465 and \$3,617,990 (net of accumulated depreciation), respectively. This investment in capital assets includes land and buildings.

Description	Balance at July 1, 2017	Additions	Disposals	Balance at June 30, 2018
Capital assets, not being depreciated				
Land	\$ 2,844,947	\$ 275,969	\$ 31,432	\$ 3,089,484
Capital assets, being depreciated				
Building	928,364	17,714	127,689	818,389
Less accumulated depreciation for				
Building	155,321	23,666	15,579	163,408
Total capital assets, being depreciated, net	\$ 773,043	\$ (5,952)	\$ 112,110	\$ 654,981
Total capital assets, net	<u>\$ 3,617,990</u>	<u>\$ 270,017</u>	<u>\$ 143,542</u>	<u>\$ 3,744,465</u>

Short-term Debt

As of June 30, 2018, the Agency has two short-term notes payable to Tennessee Housing Development Agency totaling \$17,270. The notes payable relate to the purchases of two properties under the Hardest Hit Fund Blight Elimination Program. Details of these notes payable can be found at Note 3G.

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. \$650,000 of this comes in the form of debt to Jackson/Madison County General Hospital which is in the City's name making the City ultimately responsible. The other \$650,000 was borrowed from the City; however, no promissory note was ever signed meaning the repayment is uncertain. 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 POSITION
June 30, 2018

Assets

Current assets

Cash and cash equivalents on deposit	\$	1,370,305
Accounts receivable		17,270
Notes receivable		93,994
Total current assets		1,481,569

Noncurrent assets

Capital assets, not being depreciated		
Land		3,089,484
Capital assets, net of accumulated depreciation		
Buildings		654,981
Total noncurrent assets		3,744,465
Total assets		5,226,034

Liabilities

Current liabilities

Accounts payable		106,190
Unearned revenue - grants		776,304
Unearned revenue - Jackson Walk advance lease payment		47,313
Unearned revenue - Jackson Walk Phase II		74,163
Note payable		17,270
Total current liabilities		1,021,240

Total liabilities		1,021,240
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Net position

Investment in capital assets		3,744,465
Restricted		69,360
Unrestricted		390,969
		390,969

Net position		\$ 4,204,794
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The accompanying notes are an integral part of these financial statements.

JACKSON COMMUNITY REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2018

Operating revenues	
Rental income	62,699
TIF income	<u>189,611</u>
Total operating revenues	<u>252,310</u>
Operating expenses	
Bank charges	67
Commissions - real estate	4,290
Accounting and auditing fees	21,470
Dues and memberships	37
Dog walk grant	5,000
Insurance	7,671
Legal services	7,840
Operation Hope	7,630
Professional services	670,944
Property - leasing fees	3,235
Property - management fees	15,340
Property - repairs/lawn care	25,129
Property - utilities	3,630
Recording fees	150
Taxes	368
Depreciation expense	<u>23,666</u>
Total operating expenses	<u>796,467</u>
Operating income (loss)	<u>(544,157)</u>
Non-operating revenues (expenses)	
Gain on sale of assets	28,059
Other income	72,209
Interest income	1,502
Forgiveness of debt	<u>(33,999)</u>
Total non-operating revenues (expenses)	<u>67,771</u>
Income (loss) before transfers and capital contributions	(476,386)
Transfers and capital contributions	
Contribution from City - Jackson Walk Phase II	677,317
Transfer to City of Jackson	<u>(50,000)</u>
Total transfers and capital contributions	<u>627,317</u>
Change in net position	150,931
Net position - beginning	<u>4,053,863</u>
Net position - ending	<u>\$ 4,204,794</u>

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

JACKSON COMMUNITY REDEVELOPMENT AGENCY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

Cash flows from operating activities:	
Cash received from operations	\$ 305,237
Cash paid to suppliers	<u>(668,198)</u>
Net cash provided by (used for) operating activities	<u>(362,961)</u>
Cash flows from capital and related financing activities:	
Transfer to City of Jackson	(50,000)
Contributino from City of Jackson - Jackson Walk Phase II	677,317
Proceeds from sale of assets	171,600
Acquisition of buildings and land	(293,682)
Payment on notes payable	(8,635)
Issuance of note receivable	(10,000)
Other non-operating income	<u>72,209</u>
Net cash provided by (used for) capital and related financing activities	<u>558,809</u>
Cash flows from investing activities:	
Interest income	<u>1,502</u>
Increase (decrease) in cash and cash equivalents	197,350
Cash and cash equivalents - beginning	<u>1,172,955</u>
Cash and cash equivalents - ending	<u>\$ 1,370,305</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income (loss)	\$ (544,157)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	23,666
(Increase) decrease in current assets:	
Accounts receivable	8,635
Increase (decrease) in current liabilities:	
Accounts payable	104,603
Unearned revenue- Jackson Walk Phase II	74,163
Unearned revenue - Jackson Walk advance lease payment	<u>(29,871)</u>
Net cash provided by operating activities	<u>\$ (362,961)</u>
Supplemental disclosure of cash flow information	
Forgiveness of debt - Buyer incentive program	<u>\$ 33,999</u>

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

JACKSON COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 proprietary 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.

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

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates timing of transactions or events for recognition in the financial statements.

The Agency's financial statements are reported using the economic resources measurement focus and 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 accounting policies of

JACKSON COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS

June 30, 2018

the Agency conform to applicable accounting principles generally accepted in the United States of America as defined in by the Governmental Accounting Standards Board (GASB).

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the enterprise fund's principal ongoing operations. The principal operating revenues of the Agency are rental income, TIF income, and HUD income. Operating expenses for the enterprise fund includes administrative expenses, depreciation on capital assets, and expenses related to rental property management. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

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 Position Flow Assumption

Sometimes the Agency will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the

**JACKSON COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

Agency's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Net Position

Equity is classified as net position and displayed in the following three components:

- Net Investment in Capital Assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt 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.
- Restricted - Consists of net position amounts for which constraints are placed thereon by external parties, such as lenders, grants, contributors, laws, regulations, and enabling legislature, less any related liabilities.
- Unrestricted - All other net position that does 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, and the state pooled investment fund. 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, 2018, all bank deposits were fully collateralized or insured.

B. Accounts Receivable

As of June 30, 2018, the Agency had a receivable of \$17,270. This is the amount due from the Hardest Hit Fund Bright Elimination Program for the properties purchased in current year under this program. This amount is expected to be collected in full; therefore, no allowance was recorded.

JACKSON COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

C. Notes Receivable

As of June 30, 2018, the Agency had multiple receivables related to a buyer incentive program. The Agency will forgive the receivables equally over a five year period if the buyer meets certain commitments. If the buyer does not meet certain commitments, the buyer will have to pay back a prorated amount of the receivable. The receivable as of June 30, 2018, is \$93,994.

D. Capital Assets

Capital asset activity during the year was as follows:

Description	Balance at July 1, 2017	Additions	Disposals	Balance at June 30, 2018
Capital assets, not being depreciated				
Land	\$ 2,844,947	\$ 275,969	\$ 31,432	\$ 3,089,484
Capital assets, being depreciated				
Building	928,364	17,714	127,689	818,389
Less accumulated depreciation for				
Building	155,321	23,666	15,579	163,408
Total capital assets, being depreciated, net	\$ 773,043	\$ (5,952)	\$ 112,110	\$ 654,981
Total capital assets, net	\$ 3,617,990	\$ 270,017	\$ 143,542	\$ 3,744,465

Depreciation expense during the year was \$23,666.

E. Unearned Revenue

Unearned revenue - grant represents the amount received by the Agency from the City of Jackson, Tennessee as a pass through grant which has not yet been spent or earned. The Agency will earn this revenue when it incurs the related expense. The City received the grant from the Department of Housing and Urban Development and passed it through to the Agency. The amount of unearned revenue for the grant for the year ended is \$776,304.

Unearned revenue – Jackson Walk advance lease payment represents the amount received by the Agency in advance for lease payment related to the Jackson Walk development. The Agency will earn this revenue as lease payments become due. The amount of unearned revenue- Jackson Walk advance lease payment for the year ended is \$47,313. The Agency also has unearned revenue – Jackson Walk Phase II of \$74,163 related to a contribution from the City that has not been completely spent as of year-end.

JACKSON COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

F. Net Position

Net position represents the difference between assets, liabilities, and deferred inflows/outflows of resources. The net position was as follows:

Investment in capital assets	\$ 3,744,465
Restricted	69,360
Unrestricted	<u>390,969</u>
Net position	<u><u>\$ 4,204,794</u></u>

The restricted net position of the Agency is a result of federal grants restrictions. The following makes up the restricted net position for the Agency as of June 30, 2018:

<u>Neighborhood Stabilization Program (NSP)</u>	
Cash	\$ 21,367
Notes receivable - NSP	<u>47,994</u>
Restricted net position - NSP	<u><u>\$ 69,361</u></u>

G. Notes payable

As of June 30, 2018, the Agency has two note payables to the Tennessee Housing Development Agency (THDA) in the amount of \$17,270. These notes payable were both dated June 23, 2017 and related to the purchases of two properties under the Hardest Hit Fund Blight Elimination Program. These are short-term notes payable with 0% interest and are expected to be paid off in fiscal year 2019.

The following is a summary of short-term debt transactions for the year ended June 30, 2018:

	Beginning Balance	Additions	Retirements	Ending Balance
Notes payable to THDA, secured by property on 133 Deaderick St.	\$ 13,980	\$ -	\$ 4,660	\$ 9,320
Notes payable to THDA, secured by property on 137 Deaderick St.	<u>11,925</u>	<u>-</u>	<u>3,975</u>	<u>7,950</u>
	<u><u>\$ 25,905</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,635</u></u>	<u><u>\$ 17,270</u></u>

INTERNAL CONTROL AND COMPLIANCE SECTION



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
Jackson Community Redevelopment Agency
Jackson, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Jackson Community Redevelopment Agency (Agency), as of and for the year ended June 30, 2018, and the related notes to financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 19, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Alexander Thompson Arnold, PLLC". The signature is written in a cursive, flowing style.

Jackson, Tennessee
November 19, 2018

JACKSON COMMUNITY REDEVELOPMENT AGENCY
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2018

Financial Statement Findings

None reported.

JACKSON COMMUNITY REDEVELOPMENT AGENCY
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2018

There were no prior year findings reported.