

**INDUSTRIAL DEVELOPMENT BOARD
OF BLOUNT COUNTY AND THE CITIES
OF ALCOA AND MARYVILLE, TENNESSEE**

Financial Statements

Year Ended June 30, 2010

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Financial Statements and Supplementary Information
Year Ended June 30, 2010

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**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Year Ended June 30, 2010**

OFFICERS

**Fred H. Forster
Bryan T. Daniels**

**President and CEO
Interim President/ CEO**

Board Members

**Matthew Murray
Fred Lawson
David Black**

**Chairman
Vice Chairman
Secretary Treasurer**

Other Board Members

**Gary Hensley
Joe Dawson
Jerry Cunningham
Greg McClain
Fred H. Forster (non-voting member)**

**Richard Ray
Chuck Alexander
Mark Johnson
Bryan T. Daniels (non-voting member)**

Ex-Officio Members

**Robert Goddard
James D. Horne**

**Board Attorney
Chamber of Commerce Chairman**

Independent Auditors' Report

Board of Directors
Industrial Development Board of Blount County
and the Cities of Alcoa and Maryville, Tennessee

We have audited the accompanying financial statements of the governmental activities and each major fund of the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee (the "Board") as of and for the year ended June 30, 2010. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee, as of June 30, 2010, and the respective changes in financial position 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 November 17, 2010, on our consideration of the Board'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 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 audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 7 and 24 through 25 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee's financial statements as a whole. The introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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.

Roderick Moss & Co., PLLC

Knoxville, Tennessee
November 17, 2010

November 17, 2010

Our discussion and analysis of the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee's ("the Industrial Development Board") financial performance provides an overview of the Board's activities for the year ended in June 30, 2010. Please read it in conjunction with the transmittal letter and the Board's financial statements as described in the Table of Contents.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the Industrial Development Board taken as a whole and present a long-term view of the Board's finances.

The Statement of Net Assets and Statement of Activities

One of the most important questions asked about the Board's finances is "is the Industrial Development Board better off or worse as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Board and about its activities that help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by the most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of whether cash was received or paid.

These two statements report the Board's net assets and changes in net assets. You can think of the Board's net assets – the difference between assets and liabilities – as one way to measure the Industrial Development Board's financial health or financial position. Over time, increases or decreases in the Board's net assets are one indicator of whether its financial wealth is improving or deteriorating.

FINANCIAL HIGHLIGHTS

The operations of the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee are primarily funded as follows.

Construction loan	\$ 11,282,225
Intergovernmental	4,045,399
Grant revenues	889,934
Repair reimbursement	121,000
Lease income	69,600
Interest income	22,758
Miscellaneous	<u>10,050</u>
 Total funding	 <u><u>\$ 16,440,966</u></u>

NET ASSETS

The analysis below focuses on the net assets and changes in the net assets of the Industrial Development Board:

	<u>2010</u>	<u>2009</u>
Current assets	\$ 3,787,282	\$ 4,397,662
Other assets	889,820	879,800
Capital assets, net of depreciation	<u>70,752,411</u>	<u>55,281,234</u>
Total assets	<u>\$ 75,429,513</u>	<u>\$ 60,558,696</u>
Current liabilities	\$ 916,457	\$ 1,994,275
Long-term liabilities	<u>22,294,739</u>	<u>36,979,782</u>
Total liabilities	<u>23,211,196</u>	<u>38,974,057</u>
Net Assets:		
Invested in capital assets, net of related debt	49,205,690	18,602,019
Restricted	2,271,589	1,844,707
Unrestricted	<u>741,038</u>	<u>1,137,913</u>
Total net assets	<u>52,218,317</u>	<u>21,584,639</u>
Total liabilities and net assets	<u>\$ 75,429,513</u>	<u>\$ 60,558,696</u>

Current assets experienced a net decrease of \$610,380 as of June 30, 2010, compared to June 30, 2009. The decrease is due to a decrease in cash of \$268,585 as a result of funding operations during the current fiscal year and a decrease of \$341,795 in accounts receivable in the current fiscal year compared to prior year, primarily due to a decrease in intergovernmental receivables.

Capital assets increased \$15,471,177 as of June 30, 2010, compared to June 30, 2009, primarily due to costs associated with two capital projects during the year.

Current liabilities decreased as of June 30, 2010 by a total of \$1,077,818 when compared to June 30, 2009, primarily due to a decrease in the current portion of debt of \$437,431 and a decrease of \$520,532 in accounts payable related to a reduction in amounts owed to vendors on capital projects at June 30, 2010.

Long term liabilities decreased \$16,406,710 as of June 30, 2010, when compared to June 30, 2009 as a result of the reduction of the debt amount associated with the Civic Center project.

Net assets increased \$32,355,345 as of June 30, 2010, compared to June 30, 2009. The increase is primarily due to the recording of the completed Civic Center project in fixed assets.

CAPITAL ASSETS

At the fiscal year ended June 30, 2010, the Industrial Development Board had \$70,752,411 invested in capital assets, net of accumulated depreciation as outlined below, a 28% increase over last year, mainly due to approximately \$15.1 million increase in construction in progress related to current projects.

	<u>2010</u>	<u>2009</u>
Land	\$ 30,707,384	\$ 30,269,001
Buildings and improvements	33,143,316	1,911,189
Furniture, fixtures and equipment	313,456	259,379
Signs	45,018	45,018
Construction in process	<u>7,256,284</u>	<u>23,255,507</u>
Total capital assets	71,465,458	55,740,094
Less: accumulated depreciation	<u>(713,047)</u>	<u>(458,860)</u>
Capital assets, net of depreciation	<u>\$ 70,752,411</u>	<u>\$ 55,281,234</u>

Capital assets increased \$15,471,177 as of June 30, 2010, compared to June 30, 2009, primarily due to costs associated with two capital projects during the year.

NOTES PAYABLE

At the fiscal year ended June 30, 2010, the Industrial Development Board had the following notes payable:

	<u>2010</u>	<u>2009</u>
Blount County, Tennessee	\$ 5,715,552	\$ 3,300,000
Knox County, Tennessee	5,000,000	5,000,000
Alcoa, Tennessee	4,624,635	3,300,000
Maryville, Tennessee	4,353,395	3,300,000
SunTrust Bank	1,213,880	1,270,562
First Tennessee	455,797	479,541
Regions Bank	151,984	186,537
GMAC	<u>31,478</u>	<u>-</u>
Total notes payable	<u>\$ 21,546,721</u>	<u>\$ 16,836,640</u>

Notes payable increased by \$4,710,081 as of June 30, 2010, compared to June 30, 2009. The increase is primarily a result of additional funding provided during the year by Blount County and the Cities of Alcoa and Maryville to assist in the construction of capital assets that is to be repaid by the Board to these entities.

BUDGETS

The variances between the originally adopted budget for the fiscal year ended June 30, 2010, and the final budget were caused by additional outlay for projects within the industrial parks and additional funding provided through the agreements with Blount County, City of Maryville and City of Alcoa to fund operations. Other categories were amended as deemed necessary by the Board of Directors.

CONTACTING THE INDUSTRIAL DEVELOPMENT BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens with a general view of the Industrial Development Board's finances and to show the Board's accountability for the monies it receives. If you have any questions about this report or need additional information, contact the Chairman of the Industrial Development Board of Blount County, Tennessee at 201 S. Washington Street, Maryville, TN 37804.

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE

Statement of Net Assets

June 30, 2010

	Governmental Activities		
	General	Sales Development	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 326,254	\$ 2,661,930	\$ 2,988,184
Receivables			
Accounts receivable	29,610	704,928	734,538
Lease payments receivable, current portion	-	64,560	64,560
Total current assets	355,864	3,431,418	3,787,282
Noncurrent assets			
Capital Assets			
Nondepreciable assets	-	37,963,667	37,963,667
Depreciable assets, net	80,214	32,708,530	32,788,744
Net capital assets	80,214	70,672,197	70,752,411
Other Assets			
Lease payments receivable, net of current portion	-	882,320	882,320
Other assets	-	7,500	7,500
Total other assets	-	889,820	889,820
Total noncurrent assets	80,214	71,562,017	71,642,231
Total assets	\$ 436,078	\$ 74,993,435	\$ 75,429,513

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Statement of Net Assets (Continued)
June 30, 2010

	<u>Governmental Activities</u>		
	<u>General</u>	<u>Sales Development</u>	<u>Total</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 3,322	\$ 26,559	\$ 29,881
Accrued expenses	38,785	-	38,785
Due to primary government	-	638,929	638,929
Options held on future sales	-	10,000	10,000
Current portion of deferred revenue-lease payments	-	64,560	64,560
Current portion of notes payable	-	134,302	134,302
Total current liabilities	<u>42,107</u>	<u>874,350</u>	<u>916,457</u>
Noncurrent Liabilities			
Deferred revenue-lease payments-long term	-	882,320	882,320
Notes payable	-	21,412,419	21,412,419
Total noncurrent liabilities	<u>-</u>	<u>22,294,739</u>	<u>22,294,739</u>
Total liabilities	<u>42,107</u>	<u>23,169,089</u>	<u>23,211,196</u>
Net Assets			
Invested in capital assets, net of related debt	80,214	49,125,476	49,205,690
Restricted for			
Training	-	219,489	219,489
Development and maintenance	-	2,052,100	2,052,100
Unrestricted	<u>313,757</u>	<u>427,281</u>	<u>741,038</u>
Total net assets	<u>393,971</u>	<u>51,824,346</u>	<u>52,218,317</u>
Total liabilities and net assets	<u>\$ 436,078</u>	<u>\$ 74,993,435</u>	<u>\$ 75,429,513</u>

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE

Statement of Activities
Year Ended June 30, 2010

	Governmental Activities		
	General	Sales Development	Total
Expenses			
Current			
Administrative	\$ 249,949	\$ 52,035	\$ 301,984
Development	345,255	3,819,484	4,164,739
Depreciation	50,132	204,054	254,186
Debt service			
Interest	-	95,691	95,691
Total expenses	645,336	4,171,264	4,816,600
Program Revenues			
Operating grants and contribution	-	30,359,266	30,359,266
Lease income	-	69,600	69,600
Interest income	-	22,758	22,758
Total program revenues	-	30,451,624	30,451,624
Net program revenues (expenses)	(645,336)	26,280,360	25,635,024
Other Revenues			
Intergovernmental revenues	797,943	4,045,399	4,843,342
Rent revenue	-	3,850	3,850
Other revenues (expenses)	18,011	133,451	151,462
Total other revenues	815,954	4,182,700	4,998,654
Change in net assets	170,618	30,463,060	30,633,678
Net assets, beginning of year	223,353	21,361,286	21,584,639
Net assets, end of year	\$ 393,971	\$ 51,824,346	\$ 52,218,317

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Balance Sheet - Governmental Funds
June 30, 2010

	General	Sales Development Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 326,254	\$ 2,661,930	\$ 2,988,184
Accounts receivable	<u>29,610</u>	<u>704,928</u>	<u>734,538</u>
Total current assets	355,864	3,366,858	3,722,722
Other assets	<u>-</u>	<u>7,500</u>	<u>7,500</u>
Total assets	<u>\$ 355,864</u>	<u>\$ 3,374,358</u>	<u>\$ 3,730,222</u>
Liabilities and Fund Balances			
Current Liabilities			
Accounts payable	\$ 3,322	\$ 26,559	\$ 29,881
Accrued expenses	38,785	-	38,785
Due to primary government	-	638,929	638,929
Options held on future sales	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Total current liabilities	<u>42,107</u>	<u>675,488</u>	<u>717,595</u>
Fund Balances			
Reserved for			
Training	-	219,489	219,489
Development and maintenance	-	2,052,100	2,052,100
Unreserved	<u>313,757</u>	<u>427,281</u>	<u>741,038</u>
Total fund balances	<u>313,757</u>	<u>2,698,870</u>	<u>3,012,627</u>
Total liabilities and fund balances	<u>\$ 355,864</u>	<u>\$ 3,374,358</u>	<u>\$ 3,730,222</u>

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2010

Total Fund Balances - Government Funds \$ 3,012,627

Amounts reported for Governmental Activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds balance sheet. In the statement of net assets, the cost of capital assets are reflected net of accumulated depreciation. The cost of capital assets is \$71,465,458 and accumulated depreciation is \$713,046 as of June 30, 2010 70,752,411

Notes payable are not financial obligations of the current period and therefore are not reported as liabilities in the governmental funds balance sheet. In the statement of net assets, the liability for notes payable are reflected. Notes payable total \$19,825,054 as of June 30, 2010 (21,546,721)

Total Net Assets - Governmental Activities \$ 52,218,317

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2010

	<u>General</u>	Sales Development <u>Fund</u>	<u>Total</u>
REVENUES			
Intergovernmental	\$ 797,943	\$ 4,045,399	\$ 4,843,342
Grant revenues	-	889,934	889,934
Interest earned	-	22,758	22,758
Lease income	-	69,600	69,600
Other	<u>18,011</u>	<u>10,050</u>	<u>28,061</u>
Total revenues	<u>815,954</u>	<u>5,037,741</u>	<u>5,853,695</u>
EXPENDITURES			
Current	696,692	377,934	1,074,626
Capital outlay	-	15,941,354	15,941,354
Debt service			
Principal	-	115,242	115,242
Interest	<u>-</u>	<u>95,691</u>	<u>95,691</u>
Total expenditures	<u>696,692</u>	<u>16,530,221</u>	<u>17,226,913</u>
Excess (deficiency) of revenues over/(under) expenditures	119,262	(11,492,480)	(11,373,218)
Other Financing Sources			
Repair reimbursement	-	121,000	121,000
Proceeds from construction loan	<u>-</u>	<u>11,282,225</u>	<u>11,282,225</u>
Total other financing sources	<u>-</u>	<u>11,403,225</u>	<u>11,403,225</u>
Excess of revenues and other sources over expenditures	119,262	(89,255)	30,007
Fund balances, beginning of year	<u>194,495</u>	<u>2,788,125</u>	<u>2,982,620</u>
Fund balances, end of year	<u>\$ 313,757</u>	<u>\$ 2,698,870</u>	<u>\$ 3,012,627</u>

THE INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Reconciliation of the Governmental Funds Statement
Fund Balance to the Statement of Activities
June 30, 2010

Changes in Fund Balances - Governmental Funds **\$ 30,007**

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets in excess of the Board's capitalization policy is capitalized and reported over their useful lives as depreciation expense

Current Year Capital Outlay Capitalized	35,027,824
Current Year Depreciation Expense on Capitalized Assets	254,187

Governmental funds report long-term debt borrowings as revenue and principal payments on long-term debt as expenditures. However, in the statement of activities the payments are reflected as a reduction in the liability for long-term debt. Governmental funds also report interest expense in the period it is paid. However, on the statement of activities interest expense is recorded on the accrual basis of accounting in the period to which the interest relates.

Current Year Long-Term Debt Borrowings Shown as Revenue	(4,793,582)
Current Year Principal Payments Shown as Expenditures	<u>115,242</u>

Change in Net Assets - Government Activities **\$ 30,633,678**

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Notes to Financial Statements
June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee complies with accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Boards (GASB) pronouncements. The accounting and reporting framework and the significant accounting policies are discussed in subsequent subsections of the notes to the financial statements.

Financial Reporting Entity - The Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee, chartered as a Tennessee corporation, is a joint partnership between the Industrial Development Board of Blount County, City of Maryville, and the City of Alcoa. The purpose of the partnership is the construction, acquiring, improving, repairing, renovation, extending, equipping, furnishing, operating, maintaining and managing current or future projects and the ability to borrow funds for the purpose of such projects to further promote business in Blount County.

Basis of Presentation

Government-Wide Financial Statement - The Statement of Net Assets and Statement of Activities displays information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business type activities would be financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Industrial Development Board or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of the category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.
- c. Any fund which government officials believe is important. The Industrial Development Board considers both funds as major funds.

The funds of the financial reporting entity are described below.

Governmental Fund

General Fund - The General Fund is the primary operating fund of the Industrial Development Board and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Major Funds

The following funds are classified as major funds:

General - The fund accounts for all activities except those legally or administratively required to be accounted for in other funds.

Sales Development Fund - The fund is funded by excess operating funds, sales of property improvements and monies invested. The fund is restricted to expenditures for improvement of physical structures.

Measurement Focus and Basis of Accounting - Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus.

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

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

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

Assets, Liabilities, and Equity

Cash and Cash Equivalents - For the purpose of the Statement of Net Assets, cash includes all demand, savings accounts, and certificates of deposits of the Industrial Development Board.

Receivables - In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivables balances for the governmental activities include amounts due from the State of Tennessee.

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Receivables (continued) - In the financial statements, material receivables in governmental funds include intergovernmental revenues with a corresponding amount recorded as deferred revenue since they are measurable but not available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual but not deferred in the government-wide financial statements in accordance with the accrual basis. There were no non-exchange transactions as of June 30, 2010. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

Fixed Assets - In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. This range of estimated useful lives by type of assets is as follows:

Buildings	40 years
Improvements	15 years
Furniture, fixtures, equipment and signs	5 – 15 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Equity Classifications

Government-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Equity is classified as net assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net or related debt.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Revenues and Expenses

Revenues and expenses include all items not related to capital and related financing, non-capital financing, or investing activities.

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character: Current (further classified by function)
 Debt Service (further classified by principal and interest)
 Capital Outlay

Budgetary Accounting - The Industrial Development Board's Board of Director adopts an Operating Fund annual budget, which provides the basis for control of financial operations during the fiscal year. The same basis of accounting is used to reflect actual revenues and expenditures. All unencumbered budget appropriations lapse at the end of the fiscal year. The budgetary level of control is each major fund. Management can make budget revisions within each major fund, but only the Board of Directors may transfer appropriations between major funds.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Subsequent Events - The Board's management has evaluated events and transactions through November 17, 2010 the date these financial statements were issued, for items that should potentially be recognized or disclosed.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local governmental unit, the Industrial Development Board is subject to various federal, state and local laws and contractual regulations. As analysis of the Board's compliance with significant laws and regulations and demonstration of its stewardship over the Industrial Development Board's resources follows:

Fund Accounting Requirements - The Industrial Development Board complies with all state and local laws and regulations requiring the use of separate funds. There are not legally required funds used by the Industrial Development Board.

Deposits and Investments Laws Regulations - In accordance with state law, all deposits of governmental monies in financial institutions must be federally insured or secured with acceptable collateral.

Fund Equity Restrictions

Deficit Prohibition

State of Tennessee Statues prohibits a deficit fund balance in any individual fund. The Industrial Development Board complied with this statute in all material respects for the year ended June 30, 2010.

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 3 - CASH AND CASH EQUIVALENTS

In accordance with the Board of Directors' approval, the Industrial Development Board maintains a checking account to handle the day-to-day operations. Savings accounts, certificates of deposit, and investments are authorized by the Board of Directors for restricted funds, and excess funds of the Industrial Development Board are placed in insured accounts.

Investments are carried at fair value.

Cash and investments include bank balances and investments that at the balance sheet date were either entirely insured or collateralized with securities held by the Tennessee Investment Collateral Pool.

The Board maintains a cash pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Equity in pooled cash."

The carrying amount of the Industrial Development Board's cash deposits at June 30, 2010, is summarized as follows:

	Interest Rate	Maturity Date	Carrying Amount
Checking Account:			
Mountain National Bank	0.71%	N/A	\$ 2,821,127
Green Bank	0.69%	N/A	61,859
BB&T	0.02%	N/A	105,192
Savings Account:			
Y-12 Federal Credit Union	1.00%	N/A	6
Total Cash			\$ 2,988,184

NOTE 4 - ACCOUNTS RECEIVABLE

Federal

The Industrial Development Board was awarded a grant from the United States Department of Commerce to be used for water and sewer improvements on Middlesettlements Road in connection with the Denso Project. The grant is in the amount of \$553,000 and requires a participating match of \$138,250. At June 30, 2010 the amount of reimbursement due from the United States Department of Commerce on the project was \$34,099.

State of Tennessee

The Industrial Development Board was awarded a grant from the Tennessee Department of Economic and Community Development to be used for infrastructure development for the Molecular Pathology Laboratory Network, Inc. The grant is in the amount of \$750,000 and requires a participating match of \$397,900. At June 30, 2010 the amount of reimbursement due from the State of Tennessee on the project was \$31,900.

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 5 - CAPITAL ASSETS

Capital asset activities for the year ended June 30, 2010 were as follows:

	<u>Balance at July 1, 2009</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2010</u>
Governmental Activities:				
Nondepreciable assets:				
Land	\$ 30,269,001	\$ 443,383	\$ 5,000	\$ 30,707,384
Depreciable assets:				
Buildings and improvements	1,911,189	31,232,127	-	33,143,316
Furniture, fixtures & equipment	259,379	54,077	-	313,456
Signs	45,018	-	-	45,018
Construction in process	<u>23,255,507</u>	<u>3,843,552</u>	<u>19,842,775</u>	<u>7,256,284</u>
Totals at historical cost	<u>55,740,094</u>	<u>35,573,139</u>	<u>19,847,775</u>	<u>71,465,458</u>
Less: accumulated depreciation				
Buildings and improvements	239,107	221,537	-	460,644
Furniture, fixtures & equipment	203,593	29,649	-	233,242
Signs	<u>16,160</u>	<u>3,001</u>	-	<u>19,161</u>
Total accumulated depreciation	<u>458,860</u>	<u>254,187</u>	<u>-</u>	<u>713,047</u>
Governmental Activities				
Capital assets, net	<u>\$ 55,281,234</u>	<u>\$ 35,318,952</u>	<u>\$ 19,847,775</u>	<u>\$ 70,752,411</u>

NOTE 6 - LONG-TERM DEBT

Long term debt consists of the following notes:

Note payable to Blount County, Tennessee in the amount of \$5,715,552 with interest at 6%, payable semi-annually. Principal to be repaid as land is sold in the Research and Development Park	\$ 5,715,552
Note payable to Knox County, Tennessee in the amount of \$5,000,000 with interest at 6%, payable semi-annually. Principal to be repaid as land is sold in the Research and Development Park	5,000,000
Note payable to City of Alcoa, Tennessee in the amount of \$4,624,635 with interest at 6%, payable semi-annually. Principal to be repaid as land is sold in the Research and Development Park	4,624,635
Note payable to City of Maryville, Tennessee in the amount of \$4,353,395 with interest at 6%, payable semi-annually. Principal to be repaid as land is sold in the Research and Development Park	4,353,395

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 6 - LONG-TERM DEBT - (Continued)

Note payable to SunTrust Bank with interest at 4.75%, monthly payments due monthly of \$9,800, including interest, maturing October 2014, collateralized by property	1,213,880
Note payable to First Tennessee Bank with interest at 4.8%, payments due monthly of \$3,635, including interest, maturing October 2011, collateralized by property	455,797
Note payable to Regions Mortgage with interest at 5.45%, payments due monthly of \$3,587, including interest, maturing May 2014, unsecured	151,984
Note payable to GMAC in the amount of \$42,425 with interest at 6.5%, payments due monthly of \$1,303.78, including interest, maturing August 2012, unsecured	<u>31,478</u>
	21,546,721
Less: current portion	<u>(134,302)</u>
Long-term portion	<u>\$ 21,412,419</u>
Future debt service requirements as of June 30, 2010 are as follows:	
2011	\$ 134,302
2012	550,517
2013	108,689
2014	109,614
2015	950,017
Thereafter	<u>19,693,582</u>
	<u>\$ 21,546,721</u>

NOTE 7 - CONDUIT DEBT

On November 15, 2006, the Board of Directors authorized the issuance of \$32,000,000 in public improvement bonds to finance the Maryville Civic Arts Center. The bonds were issued effective December 13, 2006. Maryville College, the City of Alcoa, the City of Maryville, and federal and state grants will finance the complete project. Funds are drawn by the Board from the trustee as expenditures occur. During the year ended June 30, 2010, the Board drew \$11,282,225 in bond proceeds. The total amount withdrawn as of June 30, 2010 is \$31,125,000.

Per an agreement dated December 14, 2006 between the Industrial Development Board of Blount County, Maryville College, City of Alcoa, and the City of Maryville, the first \$18,000,000 of principal and interest payments are to be made by Maryville College. The remaining principal and interest amounts are to be paid over the remaining life of the bond by the Cities of Alcoa and Maryville as defined in the agreement.

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 8 - FUND BALANCES

Following is a schedule of fund balances on a modified accrual basis of accounting:

Unreserved Fund Equity		
General Fund:		
Unreserved	\$	313,757
Sales Development Fund		
Unreserved		<u>427,281</u>
Total Unreserved		<u>741,038</u>
Reserved Fund Equity		
Sales Development Fund		
Reserved for Development and Maintenance		2,052,100
Reserved for Training		<u>219,489</u>
Total Reserved		<u>2,271,589</u>
Total Fund Balance	\$	<u><u>3,012,627</u></u>

NOTE 9 - RISK FINANCING ACTIVITIES

It is the policy of the Industrial Development board to purchase commercial insurance for the risks of losses to which it is exposed. These risks include property and casualty. Settled claims, if any, have not exceeded this commercial coverage in any of the past three (3) fiscal years.

NOTE 10 - CAPITAL LEASES

To induce certain businesses to locate to Blount County, the Board enters into lease/financing arrangements. The Board finances construction of facilities to the specification of the tenant and then enters into a capital lease arrangement. At the conclusion of the lease, the real property is transferred to the tenant.

The Board has entered into the following leases:

Lease with DCS Electronics, Inc. beginning May 1, 2002 calling for a lease payment sufficient for the Board to recover its cost plus interest at 1% over the Board's financing rate. On February 1, 2010, there was a change in the interest rate on the agreement resulting in future monthly payments of \$5,380 over the remaining term of the lease.

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Notes to Financial Statements (Continued)

NOTE 10 - CAPITAL LEASES - (Continued)

Balance remaining on lease		\$	946,880
Less: current portion			<u>(64,560)</u>
Amount receivable after one year		\$	<u>882,320</u>
Future minimum lease payments receivable as of June 30, 2010:			
2011		\$	64,560
2012			64,560
2013			64,560
2014			64,560
2015			64,560
Thereafter			<u>624,080</u>
		\$	<u>946,880</u>

NOTE 11 - INTERGOVERNMENTAL COOPERATION AGREEMENT

In May 2006, the Board entered into an intergovernmental cooperation agreement with Blount County, Tennessee, the City of Maryville, Tennessee, the City of Alcoa, Tennessee and Knox County, Tennessee. The agreement calls for the acquisition of property to be developed into a Research and Development Park. The purchase price and subsequent development costs are to be funded by loans from the four participating municipalities to the Board in the amount of \$5,000,000 each. These loans are to be repaid with interest at 6% from sales proceeds. The four municipalities will share excess sales proceeds and property tax revenues equally.

NOTE 12 - REAL ESTATE TRANSACTION

In March 2007, the Board purchased real estate from Blount County and then immediately sold the property to Event Management Company, LLC. The Board sold the property under an installment note for \$820,000. Proceeds from the sale are to be paid back to the County within ten days of receipt. The agreement was amended on June 14, 2010 and the payments due to the Board include three annual payments of \$45,638 beginning in September 2010 and a final payment of \$502,015 scheduled for September 2013. The agreement with Blount County states that the Board is only responsible for proceeds actually received by the Board. The amount payable to Blount County as of June 30, 2010 is \$638,929.

SUPPLEMENTARY INFORMATION

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental Revenues				
Blount County	\$ 412,123	\$ 412,123	\$ 412,123	\$ -
City of Alcoa	192,910	192,910	192,910	-
City of Maryville	192,910	192,910	192,910	-
Miscellaneous	-	11,652	18,011	(6,359)
Total revenues	<u>797,943</u>	<u>809,595</u>	<u>815,954</u>	<u>(6,359)</u>
Expenditures				
Marketing				
Web design	25,000	70,000	60,212	9,788
Internet	12,000	12,000	5,800	6,200
Printed materials	11,000	11,000	9,960	1,040
UK marketing	15,000	15,000	-	15,000
Prospect development	32,000	32,000	31,471	529
Site selector visits	12,000	12,000	4,756	7,244
Office Operations				
Office supplies	2,000	2,000	909	1,091
Postage	3,000	3,000	1,367	1,633
Telephone	8,500	8,500	7,723	777
Equipment purchases	6,500	18,152	13,108	5,044
Office rent	60,000	60,000	60,000	-
Dues and subscriptions	4,000	4,000	3,312	688
Audit	14,020	10,020	10,000	20
Accounting	30,000	36,500	35,450	1,050
Computer operations	6,000	6,000	3,240	2,760
Legal	10,818	10,818	2,641	8,177
Administrative				
Blount County staff	435,323	435,323	392,197	43,126
UK staff	48,000	-	-	-
Japan staff	32,782	32,782	30,000	2,782
Transportation	20,000	20,000	14,981	5,019
Staff training	10,000	10,000	9,403	597
Miscellaneous	-	500	162	338
Total expenditures	<u>797,943</u>	<u>809,595</u>	<u>696,692</u>	<u>112,903</u>
Net changes in fund balance	-	-	119,262	<u>\$ (119,262)</u>
Fund balance, beginning of year	<u>225,936</u>	<u>104,389</u>	<u>194,495</u>	
Fund balance, end of year	<u>\$ 225,936</u>	<u>\$ 104,389</u>	<u>\$ 313,757</u>	

See independent auditor's report.

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Budgetary Comparison Schedule - Sales Development Fund
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental Revenues				
Blount County	\$ 926,627	\$ 1,925,627	\$ 1,508,389	\$ 417,238
City of Alcoa	539,900	1,559,900	1,371,625	188,275
City of Maryville	467,957	1,354,900	1,165,385	189,515
Grant revenue	-	889,000	889,934	(934)
Interest earned	70,000	22,000	22,758	(758)
Smokey Mountain Visitors Bureau	5,347	5,347	-	5,347
Chamber funding	11,000	-	-	-
Lease income	73,200	69,600	69,600	-
Rent	-	1,200	3,850	(2,650)
Reimbursement	-	565,000	-	565,000
Land and building sale	-	5,000	5,000	-
Miscellaneous	-	-	1,500	(1,500)
Total revenues	2,094,031	6,397,574	5,038,041	1,359,533
EXPENDITURES				
Current				
Administration and finance	55,560	30,560	30,843	(283)
Blount County Industrial Park	-	67,500	55,234	12,266
Stock Creek Development Center	62,000	62,000	45,460	16,540
Big Springs Park	21,000	21,200	13,564	7,636
Partnership Park North	142,800	142,800	1,991	140,809
Partnership Park South	51,000	51,000	26,095	24,905
ETEDA	51,000	40,000	40,000	-
Research and Development Park	-	19,200	10,582	8,618
IV Inc (Regional Tech Consult)	100,050	100,050	100,000	50
Marriott project	-	-	3,000	(3,000)
Marriott road improvements	48,000	48,000	-	48,000
Marriott training	86,000	86,000	-	86,000
Hilton project	28,072	23,072	22,971	101
Engineering	5,000	4,000	3,906	94
Legal	2,000	-	-	-
Inspection	15,000	-	-	-
Training	50,000	50,000	24,264	25,736
Miscellaneous	1,000	1,000	24	976
Total current expenditures	718,482	746,382	377,934	368,448
Debt service	170,400	214,400	210,933	3,467
Capital Outlay				
Land	-	106,400	106,399	1
Maryville infrastructure project	163,057	-	-	-
Special project	34,909	-	-	-
Spec building	-	15,000	13,193	1,807
Base Point infrastructure improvements	365,000	365,000	281,881	83,119
Pellissippi Place	-	4,960,000	4,257,956	702,044
Civic Arts Center	-	13,990,109	11,282,225	2,707,884
Total capital outlay	562,966	19,436,509	15,941,654	3,494,855
Total expenditures	1,451,848	20,397,291	16,530,521	3,866,770
Excess revenues over (under) expenditures	642,183	(13,999,717)	(11,492,480)	(2,507,237)
Other Financing Sources (Uses)				
Repair reimbursement	-	121,000	121,000	-
Proceeds from construction loan	-	13,990,109	11,282,225	2,707,884
Net changes in fund balance	642,183	(9,608)	(89,255)	\$ 200,647
Fund balance, beginning of year	168,984	(485,689)	2,788,125	
Fund balance, end of year	\$ 811,167	\$ (495,297)	\$ 2,698,870	

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Schedule of Note Requirements by Fiscal Year
June 30, 2010

Fiscal Year Ending June 30,	First Tennessee Bank DCS Project			SunTrust Bank Speculative Building		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 21,635	\$ 21,990	\$ 43,625	\$ 61,352	\$ 56,248	\$ 117,600
2012	434,162	7,087	441,249	64,330	53,270	117,600
2013	-	-	-	67,453	50,147	117,600
2014	-	-	-	70,728	46,872	117,600
2015	-	-	-	950,017	14,869	964,886
Thereafter	-	-	-	-	-	-
Totals	\$ 455,797	\$ 29,077	\$ 484,874	\$ 1,213,880	\$ 221,406	\$ 1,435,286

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Schedule of Note Requirements by Fiscal Year
June 30, 2010

Fiscal Year Ending June 30,	Blount County Research & Development Park			Knox County Research & Development Park		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ -	\$ 354,000	\$ 354,000	\$ -	\$ 300,000	\$ 300,000
2012	-	354,000	354,000	-	300,000	300,000
2013	-	354,000	354,000	-	300,000	300,000
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
Thereafter	<u>14,693,582</u>	<u>1,062,000</u>	<u>15,755,582</u>	<u>5,000,000</u>	<u>900,000</u>	<u>5,900,000</u>
Totals	<u>\$ 14,693,582</u>	<u>\$ 2,124,000</u>	<u>\$ 16,817,582</u>	<u>\$ 5,000,000</u>	<u>\$ 1,800,000</u>	<u>\$ 6,800,000</u>

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Schedule of Note Requirements by Fiscal Year
June 30, 2010

Fiscal Year Ending June 30,	Regions Mortgage			GMAC		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 35,669	\$ 7,375	\$ 43,044	\$ 13,965	\$ 1,681	\$ 15,646
2012	37,662	5,382	43,044	14,927	718	15,645
2013	39,767	3,277	43,044	2,586	22	2,608
2014	38,886	1,055	39,941	-	-	-
2015	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-
Totals	\$ 151,984	\$ 17,089	\$ 169,073	\$ 31,478	\$ 2,421	\$ 33,899

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Schedule of Capital Lease Obligations by Fiscal Year
June 30, 2010

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>DCS Electronics,</u> <u>Inc.</u>
2011	\$ 64,560
2012	64,560
2013	64,560
2014	64,560
2015	64,560
2016	64,560
2017	64,560
2018	64,560
2019	64,560
2020	64,560
2021	64,560
2022	64,560
2023	64,560
2024	64,560
2025	<u>43,040</u>
Totals	<u>\$ 946,880</u>

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2010

Program Name	Federal/State Agency	Federal/State Contract Number	Beginning Deferred	Cash Receipts	Expenditures	Ending Deferred
Middlesettlements Water Line Relocation	U.S. Department of Commerce, Economic Development Administration	04-01-05751	\$ 34,099	\$ -	\$ -	\$ 34,099
Fasttrack Infrastructure Development	Tennessee Department of Economic and Community Development	GG-09-26055-00	51,834	19,934	-	31,900
Infrastructure Improvements for Pellissippi Regional Technology Park	U.S. Small Business Administration	SBAHQ-09-I-0092	-	670,000	670,000	-
Infrastructure Improvements for Pellissippi Regional Technology Park	U.S. Small Business Administration	SBAHQ-08-I-0131	-	200,000	200,000	-
			<u>\$ 85,933</u>	<u>\$ 889,934</u>	<u>\$ 870,000</u>	<u>\$ 65,999</u>

See independent auditor's report.

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Note to Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2010

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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
Industrial Development Board of Blount County
and the Cities of Alcoa and Maryville, Tennessee

We have audited the financial statements of the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee as of and for the year ended June 30, 2010, and have issued our report thereon dated November 17, 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 Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Board's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Board's financial statements that is more than inconsequential will not be prevented or detected by the Board's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Board's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Rodefer Moss & Co, PLLC

Knoxville, Tennessee
November 17, 2010

Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133

Board of Directors
Industrial Development Board of Blount County
and the Cities of Alcoa and Maryville, Tennessee

Compliance

We have audited the compliance of the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee (the "Board"), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The Board's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the Board is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal

control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, Board Members, others within the entity, 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.

Roderic Moss & Co, PLLC

Knoxville, Tennessee
November 17, 2010

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Summary of Audit Results

Financial Statements

Type of auditors report issued:	Unqualified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	<u>✓</u> No	
Significant deficiencies identified that are not considered to be material weakness(es)?	_____ Yes	<u>✓</u> None reported	
Noncompliance material to financial statements noted?	_____ Yes	<u>✓</u> No	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	_____ Yes	<u>✓</u> No	
Significant deficiencies identified that are not considered to be material weakness(es)?	_____ Yes	<u>✓</u> None reported	
Type of auditor's report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____ Yes	<u>✓</u> None reported	
Major programs:	<u>CFDA Number</u> 59.000	<u>Name of Federal Program</u> Small Business Administration Grant	
Dollar threshold used to distinguish between type A and type B programs	\$ 300,000		
Auditee qualified as low-risk auditee?	_____ Yes	<u>✓</u> No	

Findings - Financial Statements Audit

None

Findings and Questioned Costs - Major Federal Award Programs Audit

None