

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

Financial Statements

Year Ended June 30, 2011

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Financial Statements and Supplementary Information
Year Ended June 30, 2011

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INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Year Ended June 30, 2011

OFFICERS

Bryan T. Daniels
Paul Monroe

President and CEO
Director of Accounting and HR

Board Members

Matthew Murray
Fred Lawson
David Black

Chairman
Vice Chairman
Secretary Treasurer

Other Board Members

Gary Hensley
Joe Dawson
Ed Mitchell
Greg McClain

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

Ex-Officio Members

Robert Goddard
Greg Wilson

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, 2011. 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, 2011, 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 October 27, 2011, 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 on pages 4 through 7 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 an opinion on the financial statements that collectively comprise The Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it. 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. 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.

Rodefer Moss & Co, PLLC

Knoxville, Tennessee
October 27, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 and overview of the Board's activities for the year ended in June 30, 2011. 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.

Intergovernmental	\$	1,480,825
Grant revenues		1,423,117
Miscellaneous		90,381
Lease income		64,560
Rental revenue		26,720
Interest income		<u>19,518</u>
Total funding	\$	<u>3,105,121</u>

NET ASSETS

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

	<u>2011</u>	<u>2010</u>
Current assets	\$ 4,007,011	\$ 3,787,282
Other assets	825,260	889,820
Capital assets, net of depreciation	<u>71,370,642</u>	<u>70,752,411</u>
Total assets	<u>\$ 76,202,913</u>	<u>\$ 75,429,513</u>
Current liabilities	\$ 1,299,701	\$ 916,457
Long-term liabilities	<u>25,623,315</u>	<u>22,294,739</u>
Total liabilities	<u>26,923,016</u>	<u>23,211,196</u>
Net Assets:		
Invested in capital assets, net of related debt	50,064,008	49,205,690
Restricted	(1,945,080)	2,271,589
Unrestricted	<u>1,160,969</u>	<u>741,038</u>
Total net assets	<u>49,279,897</u>	<u>52,218,317</u>
Total liabilities and net assets	<u>\$ 76,202,913</u>	<u>\$ 75,429,513</u>

Current assets experienced a net increase of \$219,729 as of June 30, 2011, compared to June 30, 2010. The increase is due to a increase in cash of \$183,348 as a result of a reduction in expenditures during the current fiscal year compared to prior year.

Capital assets increased \$618,231 as of June 30, 2011, compared to June 30, 2010, primarily due to costs associated with capital projects during the year.

Current liabilities increased as of June 30, 2011 by a total of \$383,244 when compared to June 30, 2010, primarily due to a increase in the current portion of debt of \$417,399 and a decrease of \$69,122 in accounts payable and accrued expenses related to a reduction in amounts owed to vendors on capital projects at June 30, 2011.

Long term liabilities increased \$3,328,576 as of June 30, 2011, when compared to June 30, 2010 primarily as a result of an increase in accrued interest of \$4,050,622 and a decrease in notes payable of \$657,486 at June 30, 2011.

Net assets decreased \$2,938,420 as of June 30, 2011, compared to June 30, 2010. The increase is due to the capitalization of fixed assets in current year and the expense associated with the recording of the accrued interest on notes payable.

CAPITAL ASSETS

At the fiscal year ended June 30, 2011, the Industrial Development Board had \$71,370,642 invested in capital assets, net of accumulated depreciation as outlined below, a .01% increase over last year, mainly due to an increase in land of approximately \$1,400,000 in current fiscal year (an additional \$7,200,000 was transferred from CIP to land in current fiscal year) and a significant increase in depreciation expense in current year of approximately \$600,000 relating to the first year of depreciation being recognized on the Civic Center project.

	<u>2011</u>	<u>2010</u>
Land	\$ 39,347,153	\$ 30,707,384
Buildings and improvements	33,143,317	33,143,316
Furniture, fixtures and equipment	244,600	313,456
Signs	45,018	45,018
Construction in process	<u>44,603</u>	<u>7,256,284</u>
Total capital assets	72,824,691	71,465,458
Less: accumulated depreciation	<u>(1,454,049)</u>	<u>(713,047)</u>
Capital assets, net of depreciation	<u>\$ 71,370,642</u>	<u>\$ 70,752,411</u>

Capital assets increased \$618,231 as of June 30, 2011, compared to June 30, 2010, primarily due to costs associated with capital projects during the year.

NOTES PAYABLE

At the fiscal year ended June 30, 2011, the Industrial Development Board had the following notes payable:

	<u>2011</u>	<u>2010</u>
Maryville, Tennessee	\$ 5,022,374	\$ 4,353,395
Knox County, Tennessee	5,000,000	5,000,000
Blount County, Tennessee	4,870,551	5,715,552
Alcoa, Tennessee	4,691,302	4,624,635
SunTrust Bank	1,153,703	1,213,880
First Tennessee	434,782	455,797
Regions Bank	116,409	151,984
GMAC	<u>17,513</u>	<u>31,478</u>
Total notes payable	<u>\$ 21,306,634</u>	<u>\$ 21,546,721</u>

Notes payable decreased by \$240,087 as of June 30, 2011, compared to June 30, 2010. The decrease is primarily due to an adjustment to the amounts owed to Blount County and the Cities of Alcoa and Maryville.

BUDGETS

The variances between the originally adopted budget for the fiscal year ended June 30, 2011, 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, 2011

	Governmental Activities		
	General	Sales Development	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 395,251	\$ 2,776,281	\$ 3,171,532
Receivables			
Accounts receivable	29,835	741,084	770,919
Lease payments receivable, current portion	-	64,560	64,560
Total current assets	425,086	3,581,925	4,007,011
Noncurrent Assets			
Capital Assets			
Nondepreciable assets	-	39,391,756	39,391,756
Depreciable assets, net	75,749	31,903,137	31,978,886
Net capital assets	75,749	71,294,893	71,370,642
Other Assets			
Lease payments receivable, net of current portion	-	817,760	817,760
Other assets	-	7,500	7,500
Total other assets	-	825,260	825,260
Total noncurrent assets	75,749	72,120,153	72,195,902
Total assets	\$ 500,835	\$ 75,702,078	\$ 76,202,913

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Statement of Net Assets (Continued)
June 30, 2011

	Governmental Activities		
	General	Sales Development	Total
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ -	\$ 3,392	\$ 3,392
Accrued expenses	97	-	97
Due to primary government	-	679,951	679,951
Current portion of deferred revenue-lease payments	-	64,560	64,560
Current portion of notes payable	-	551,701	551,701
Total current liabilities	<u>97</u>	<u>1,299,604</u>	<u>1,299,701</u>
Noncurrent Liabilities			
Deferred revenue-lease payments-long term	-	817,760	817,760
Accrued interest	-	4,050,622	4,050,622
Notes payable	-	20,754,933	20,754,933
Total noncurrent liabilities	<u>-</u>	<u>25,623,315</u>	<u>25,623,315</u>
Total liabilities	<u>97</u>	<u>26,922,919</u>	<u>26,923,016</u>
Net Assets			
Invested in capital assets, net of related debt	75,749	49,988,259	50,064,008
Restricted for			
Training	-	75,000	75,000
Development and maintenance	-	(2,020,080)	(2,020,080)
Unrestricted	424,989	735,980	1,160,969
Total net assets	<u>500,738</u>	<u>48,779,159</u>	<u>49,279,897</u>
Total liabilities and net assets	<u>\$ 500,835</u>	<u>\$ 75,702,078</u>	<u>\$ 76,202,913</u>

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

Statement of Activities
Year Ended June 30, 2011

	Governmental Activities		
	General	Sales Development	Total
Expenses			
Current			
Administrative	\$ 255,748	\$ 63,049	\$ 318,797
Development	394,092	894,484	1,288,576
Depreciation	4,465	864,122	868,587
Debt service			
Interest	-	1,052,748	1,052,748
Total expenses	654,305	2,874,403	3,528,708
Program Revenues			
Operating grants and contribution	-	1,423,117	1,423,117
Lease income	-	64,560	64,560
Interest income	8,129	11,389	19,518
Total program revenues	8,129	1,499,066	1,507,195
Net program revenues (expenses)	(646,176)	(1,375,337)	(2,021,513)
Other Revenues			
Intergovernmental revenues	747,943	832,882	1,580,825
Rent revenue	-	26,720	26,720
Other revenues	5,000	88,818	93,818
Total other revenues	752,943	948,420	1,701,363
Change in net assets	106,767	(426,917)	(320,150)
Net assets, beginning of year	393,971	49,206,076	49,600,047
Net assets, end of year	\$ 500,738	\$ 48,779,159	\$ 49,279,897

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Balance Sheet - Governmental Funds
June 30, 2011

	General	Sales Development Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 395,251	\$ 2,776,281	\$ 3,171,532
Accounts receivable	<u>29,835</u>	<u>741,084</u>	<u>770,919</u>
Total current assets	425,086	3,517,365	3,942,451
Other assets	<u>-</u>	<u>7,500</u>	<u>7,500</u>
Total assets	<u>\$ 425,086</u>	<u>\$ 3,524,865</u>	<u>\$ 3,949,951</u>
Liabilities and Fund Balances			
Current Liabilities			
Accounts payable	\$ -	\$ 3,392	\$ 3,392
Accrued expenses	97	-	97
Due to primary government	<u>-</u>	<u>679,951</u>	<u>679,951</u>
Total current liabilities	<u>97</u>	<u>683,343</u>	<u>683,440</u>
Noncurrent Liabilities			
Accrued interest	<u>-</u>	<u>4,050,622</u>	<u>4,050,622</u>
Fund Balances			
Restricted for			
Training	-	75,000	75,000
Development and maintenance	-	(2,020,080)	(2,020,080)
Unassigned	<u>424,989</u>	<u>735,980</u>	<u>1,160,969</u>
Total fund balances	<u>424,989</u>	<u>(1,209,100)</u>	<u>(784,111)</u>
Total liabilities and fund balances	<u>\$ 425,086</u>	<u>\$ 3,524,865</u>	<u>\$ 3,949,951</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, 2011

Total Fund Balances - Government Funds		\$ (784,111)
<p>Amounts reported for Governmental Activities in the Statement of Net Assets are different because:</p>		
<p>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 \$72,824,690 and accumulated depreciation is \$1,454,048 as of June 30, 2011</p>		71,370,642
<p>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 \$21,306,634 as of June 30, 2011</p>		<u>(21,306,634)</u>
Total Net Assets - Governmental Activities		<u>\$ 49,279,897</u>

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, 2011

	General	Sales Development Fund	Total
	<u>General</u>	<u>Fund</u>	<u>Total</u>
REVENUES			
Intergovernmental	\$ 747,943	\$ 732,882	\$ 1,480,825
Grant revenues	-	1,423,117	1,423,117
Interest earned	8,129	11,389	19,518
Rent	-	26,720	26,720
Lease income	-	64,560	64,560
Other	5,000	88,818	93,818
	<u>761,072</u>	<u>2,347,486</u>	<u>3,108,558</u>
EXPENDITURES			
Current	649,840	547,606	1,197,446
Capital outlay	-	1,452,959	1,452,959
Debt service			
Principal	-	130,732	130,732
Interest	-	1,052,748	1,052,748
	<u>649,840</u>	<u>3,184,045</u>	<u>3,833,885</u>
Excess of revenues over expenditures	111,232	(836,559)	(725,327)
Fund balances, beginning of year	<u>313,757</u>	<u>(372,541)</u>	<u>(58,784)</u>
Fund balances, end of year	<u>\$ 424,989</u>	<u>\$ (1,209,100)</u>	<u>\$ (784,111)</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, 2011

Changes in Fund Balances - Governmental Funds \$ (725,327)

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	1,452,959
Current Year Depreciation Expense on Capitalized Assets	(868,587)

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.

Adjustment to prior year long term debt borrowings shown as revenue	109,355
Adjustment to prior year fund balance as a result of adjustment to debt balance	(419,282)
Current Year Principal Payments Shown as Expenditures	<u>130,732</u>

Change in Net Assets - Government Activities \$ (320,150)

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Notes to Financial Statements
June 30, 2011

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 resented 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, receivable 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, 2011. 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. 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.”

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)

Fund Financial Statements

The categories of fund balances are explained below:

Non-spendable fund balance includes amounts that cannot be spent because they are either not in spendable form (i.e., inventories) or legally or contractually required to be maintained intact (the corpus of a permanent fund). Non-spendable fund balance also includes the long-term portion of loans and notes receivable and property acquired for resale.

Restricted fund balances have constraints imposed by grantors, creditors, contributors, laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Committed fund balances result when the government's governing body imposes constraints through formal action of that body. Committed amounts cannot be used for any other purpose unless the government removes the constraint using the same type of action that was used to commit those amounts.

Assigned fund balances are constrained by the government's intent for those assigned amounts to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by the governing body, a body to which the governing body has delegated authority (i.e., a budget or finance committee), or an official that the governing body has designated.

Any residual fund balance remaining after all of the other categories of fund balance have been determined is categorized as unassigned fund balance.

Revenues and Expenses

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

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.

Concentration of Risk - Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash. The Company places its cash with financial institutions and, at times, such balances may exceed federally insured amounts. All of the Company's cash balances were fully insured at June 30, 2011 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and the Company's cash balances may again exceed federally insured limits.

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)

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.

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. An 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 Statutes 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, 2011.

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, 2011, is summarized as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Carrying Amount</u>
Checking Account:			
Mountain National Bank	0.71%	N/A	\$ 3,102,734
Green Bank	0.69%	N/A	53,027
BB&T	0.02%	N/A	15,765
Savings Account:			
Y-12 Federal Credit Union	1.00%	N/A	<u>6</u>
Total Cash			<u>\$ 3,171,532</u>

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

NOTE 4 - ACCOUNTS RECEIVABLE

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, 2011 the amount of reimbursement due from the State of Tennessee on the project was \$31,900.

NOTE 5 - CAPITAL ASSETS

Capital asset activities for the year ended June 30, 2011 were as follows:

	Balance at July 1, 2010	Additions	Retirements	Balance at June 30, 2011
Governmental Activities:				
Nondepreciable assets:				
Land	\$ 30,707,384	\$ 8,639,770	\$ -	\$ 39,347,154
Depreciable assets:				
Buildings and improvements	33,143,316	-	-	33,143,316
Furniture, fixtures & equipment	313,456	6,210	75,066	244,600
Signs	45,018	-	-	45,018
Construction in process	7,256,284	44,603	7,256,283	44,604
Totals at historical cost	<u>71,465,458</u>	<u>8,690,583</u>	<u>7,331,349</u>	<u>72,824,692</u>
Less: accumulated depreciation				
Buildings and improvements	460,644	846,162	43,770	1,263,036
Furniture, fixtures & equipment	233,242	19,424	83,815	168,851
Signs	19,161	3,002	-	22,163
Total accumulated depreciation	<u>713,047</u>	<u>868,588</u>	<u>127,585</u>	<u>1,454,050</u>
Governmental Activities				
Capital assets, net	<u>\$ 70,752,411</u>	<u>\$ 7,821,995</u>	<u>\$ 7,203,764</u>	<u>\$ 71,370,642</u>

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

NOTE 6 - LONG-TERM DEBT

Long term debt consists of the following notes:

Note payable to City of Maryville, Tennessee in the amount of \$5,022,374 with interest at 5%, payable semi-annually. Principal to be repaid as land is sold in the Research and Development Park	\$ 5,022,374
Note payable to Knox County, Tennessee in the amount of \$5,000,000 with interest at 5%, payable semi-annually. Principal to be repaid as land is sold in the Research and Development Park	5,000,000
Note payable to Blount County, Tennessee in the amount of \$4,870,551 with interest at 5%, payable semi-annually. Principal to be repaid as land is sold in the Research and Development Park	4,870,551
Note payable to City of Alcoa, Tennessee in the amount of \$4,691,302 with interest at 5%, payable semi-annually. Principal to be repaid as land is sold in the Research and Development Park	4,691,302
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	1,153,703
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	434,782
Note payable to Regions Mortgage with interest at 5.45%, payments due monthly of \$3,587, including interest, maturing May 2014, unsecured	116,409
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>17,513</u>
	21,306,634
Less: current portion	<u>(551,701)</u>
Long-term portion	<u>\$ 20,754,933</u>
Future debt service requirements as of June 30, 2011 are as follows:	
2012	\$ 551,701
2013	109,806
2014	109,708
2015	951,192
2016	19,584,227
Thereafter	<u>-</u>
	<u>\$ 21,306,634</u>

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

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. The project was completed in fiscal year 2010.

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.

NOTE 8 - FUND BALANCES

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

General Fund:	
Unassigned	\$ 424,989
Sales Development Fund	
Unassigned	<u>735,980</u>
Total Unassigned	<u>1,160,969</u>
Restricted Fund Equity	
Sales Development Fund	
Restricted for Development and Maintenance	(2,020,080)
Restricted for Training	<u>75,000</u>
Total Restricted	<u>(1,945,080)</u>
Total Fund Balance	<u>\$ (784,111)</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		\$ 882,320
Less: current portion		<u>(64,560)</u>
Amount receivable after one year		<u>\$ 817,760</u>
Future minimum lease payments receivable as of June 30, 2011:		
2012		\$ 64,560
2013		64,560
2014		64,560
2015		64,560
2016		64,560
Thereafter		<u>559,520</u>
		<u>\$ 882,320</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 5% from sales proceeds. The four municipalities will share excess sales proceeds and property tax revenues equally.

Principal owed by the Board to all four municipalities from future sales proceeds as of June 30, 2011:

City of Maryville		\$ 5,022,374
Knox County		5,000,000
Blount County		4,870,551
City of Alcoa		<u>4,691,302</u>
Total		<u>\$ 19,584,227</u>

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 January 3, 2011 and the payments due to the Board include three annual payments of \$25,000 beginning in December 2010 and a final payment of \$563,929 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, 2011 is \$613,929.

NOTE 13 - SUBSEQUENT EVENTS

The Board has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2011 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through October 27, 2011.

SUPPLEMENTARY INFORMATION

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Schedule of Budgetary Comparison - General Fund
Year Ended June 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Intergovernmental Revenues				
Blount County	\$ 387,123	\$ 387,123	\$ 387,123	\$ -
City of Alcoa	180,410	180,410	180,410	-
City of Maryville	180,410	180,410	180,410	-
Interest	-	-	8,129	8,129
Miscellaneous	-	-	5,000	5,000
Total revenues	<u>747,943</u>	<u>747,943</u>	<u>761,072</u>	<u>13,129</u>
Expenditures				
Marketing				
Internet	62,000	62,000	44,641	17,359
Printed materials	12,500	6,450	1,912	4,538
UK marketing	15,000	-	-	-
Prospect development	57,000	57,400	57,363	37
Site selector visits	17,500	17,100	13,659	3,441
Office Operations				
Office supplies	2,000	2,000	1,715	285
Postage	3,000	3,000	577	2,423
Telephone	8,500	8,500	8,410	90
Equipment purchases	6,500	6,700	6,580	120
Office rent	43,230	43,230	43,227	3
Dues and subscriptions	4,000	4,000	3,027	973
Audit	14,020	14,020	12,000	2,020
Accounting	30,000	30,650	26,460	4,190
Computer operations	6,000	6,200	6,116	84
Legal	10,818	10,818	7,765	3,053
Administrative				
Blount County staff	349,093	386,843	358,921	27,922
UK staff	40,000	22,250	-	22,250
Japan staff	32,782	32,782	30,000	2,782
Transportation	20,000	20,000	18,920	1,080
Staff training	14,000	14,000	8,421	5,579
Miscellaneous	-	-	126	(126)
Total expenditures	<u>747,943</u>	<u>747,943</u>	<u>649,840</u>	<u>98,103</u>
Net changes in fund balance	-	-	111,232	<u>\$ 111,232</u>
Fund balance, beginning of year	<u>225,936</u>	<u>104,389</u>	<u>313,757</u>	
Fund balance, end of year	<u>\$ 225,936</u>	<u>\$ 104,389</u>	<u>\$ 424,989</u>	

See independent auditor's report.

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Schedule of Budgetary Comparison - Sales Development Fund
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Intergovernmental Revenues				
Blount County	\$ 399,050	\$ 399,050	\$ 399,050	\$ -
City of Alcoa	218,082	218,082	218,082	-
City of Maryville	215,750	215,750	115,750	100,000
Grant revenue	-	1,389,026	1,423,117	(34,091)
Interest earned	-	-	11,389	(11,389)
Chamber funding	11,000	11,000	-	11,000
Lease income	63,600	63,600	64,560	(960)
Rent	-	24,000	26,720	(2,720)
Miscellaneous	-	-	88,818	(88,818)
Total revenues	907,482	2,320,508	2,347,486	(26,978)
EXPENDITURES				
Current				
Administration and finance	55,560	55,560	23,175	32,385
Blount County Industrial Park	-	2,050	2,050	-
Stock Creek Development Center	57,000	57,000	37,831	19,169
Big Springs Park	16,000	15,345	14,395	950
Partnership Park North	12,000	41,723	41,723	-
Partnership Park South	46,000	44,000	29,130	14,870
Marriott Road Improvement	48,000	-	-	-
Research and Development Park	-	62,948	62,948	-
IV Inc (Regional Tech Consult)	100,050	100,050	100,000	50
Call Center	200,000	200,000	200,000	-
Engineering	20,000	22,539	18,765	3,774
Legal	2,000	11,033	14,128	(3,095)
Inspection	15,000	15,000	-	15,000
Training	50,000	10,000	-	10,000
Marketing	11,000	6,000	-	6,000
Miscellaneous	1,000	4,440	3,461	979
Total current expenditures	633,610	647,688	547,606	100,082
Capital Outlay				
Land reimbursement	53,000	53,000	-	53,000
UK Tech Based Expansion	85,832	85,832	-	85,832
Spec building	-	20,000	19,330	670
Base Point infrastructure improvements	200,000	200,000	-	200,000
Royal Metal Powders	-	-	5,020	(5,020)
Project Fishbowl	-	-	39,583	(39,583)
Pellissippi Place	-	1,428,136	1,389,026	39,110
Total capital outlay	338,832	1,786,968	1,452,959	334,009
Total expenditures	972,442	2,434,656	2,000,565	434,091
Excess revenues over (under) expenditures	(64,960)	(114,148)	346,921	(461,069)
Other Financing Sources (Uses)				
Retirement of debt	(86,400)	(210,630)	(204,269)	(6,361)
Interest expense	-	-	(979,211)	979,211
Total other financing sources (uses)	(86,400)	(210,630)	(1,183,480)	972,850
Net changes in fund balance	(151,360)	(324,778)	(836,559)	511,781
Fund balance, beginning of year	811,167	(495,297)	(372,541)	
Fund balance, end of year	\$ 659,807	\$ (820,075)	\$ (1,209,100)	

See independent auditor's report.

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Schedule of Note Requirements by Fiscal Year
June 30, 2011

Fiscal Year Ending June 30,	First Tennessee Bank DCS Project			SunTrust Bank Speculative Building		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 434,782	\$ 5,412	\$ 440,194	\$ 64,330	\$ 53,270	\$ 117,600
2013			-	67,453	50,147	117,600
2014	-	-	-	70,728	46,872	117,600
2015	-	-	-	951,192	14,869	966,061
2016	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-
Totals	<u>\$ 434,782</u>	<u>\$ 5,412</u>	<u>\$ 440,194</u>	<u>\$ 1,153,703</u>	<u>\$ 165,158</u>	<u>\$ 1,318,861</u>

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Schedule of Note Requirements by Fiscal Year
June 30, 2011

Fiscal Year Ending June 30,	Blount County, Cities of Alcoa and Maryville Research & Development Park			Knox County Research & Development Park		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	14,584,227	2,758,955	17,343,182	5,000,000	1,291,667	6,291,667
Thereafter	-	-	-	-	-	-
Totals	<u>\$ 14,584,227</u>	<u>\$ 2,758,955</u>	<u>\$ 17,343,182</u>	<u>\$ 5,000,000</u>	<u>\$ 1,291,667</u>	<u>\$ 6,291,667</u>

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Schedule of Note Requirements by Fiscal Year
June 30, 2011

Fiscal Year Ending June 30,	Regions Mortgage			GMAC		
	Principal	Interest	Total	Principal	Interest	Total
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	38,980	1,055	40,035	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-
Totals	<u>\$ 116,409</u>	<u>\$ 9,714</u>	<u>\$ 126,123</u>	<u>\$ 17,513</u>	<u>\$ 740</u>	<u>\$ 18,253</u>

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Schedule of Capital Lease Obligations by Fiscal Year
June 30, 2011

Fiscal Year Ending June 30,	DCS Electronics, Inc.
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	43,040
Totals	\$ 882,320

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, 2011

Program Name	Federal/State Agency	Federal CFDA/State Contract Number	Beginning		Cash Receipts	Expenditures	Ending	
			Deferred				Deferred	Deferred
Middle settlements Water Line Relocation	U.S. Department of Commerce, Economic Development Administration	04-01-05751	\$ 34,099	\$ 34,099	\$ -	\$ -		
Pellissippi Place Road Improvements	U.S. Department of Commerce, Economic Development Administration	11.300	-	932,560	932,560	-		
Fastrack Infrastructure Development	Tennessee Department of Economic and Community Development	GG-09-26055-00	31,900	166,966	166,966	31,900		
Infrastructure Improvements for Pellissippi Regional Technology Park	U.S. Small Business Administration	59.000	-	142,500	142,500	-		
Infrastructure Improvements for Pellissippi Regional Technology Park	U.S. Small Business Administration	59.000	-	147,000	147,000	-		
			<u>\$ 65,999</u>	<u>\$ 1,423,125</u>	<u>\$ 1,389,026</u>	<u>\$ 31,900</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, 2011

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, 2011, and have issued our report thereon dated October 27, 2011. 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 *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 Trust's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in 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.



Knoxville, Tennessee
October 27, 2011

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on 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 City the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee's (the "Board") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2011. 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 the 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

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 to determine the 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 awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Roderick Moss + Co, PLLC". The signature is written in a cursive, flowing style.

Knoxville, Tennessee
October 27, 2011

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, 2011

Summary of Audit Results

Financial Statements

Type of auditors report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes ✓ No

Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes ✓ None reported

Noncompliance material to financial statements noted? _____ Yes ✓ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes ✓ No

Significant deficiencies identified that are not considered to be material weakness(es)? _____ Yes ✓ 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 ✓ None reported

Major programs: CFDA Number Name of Federal Program
11.300 Investments for Public Works and Economic Development Facilities

Dollar threshold used to distinguish between type A and type B programs \$ 300,000

Auditee qualified as low-risk auditee? _____ Yes ✓ No

Findings - Financial Statements Audit

None

Findings and Questioned Costs - Major Federal Award Programs Audit

None