

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

Financial Statements and Supplementary Information

Year Ended June 30, 2012



INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Financial Statements and Supplementary Information
Year Ended June 30, 2012

Table of Contents

	<u>Page</u>
Officers and Board Members	1
Independent Auditors' Report	2
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Assets	8
Statement of Activities	10
Fund Financial Statements	
Balance Sheet - Governmental Funds	11
Reconciliation of the Governmental Fund Balance Sheet	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	14
Notes to Financial Statements	15
Supplementary Information:	
Schedule of Budgetary Comparison - General Fund	24
Schedule of Budgetary Comparison - Sales Development Fund	25
Schedule of Note Requirements by Fiscal Year	26
Schedule of Capital Lease Obligations by Fiscal Year	27
Schedule of Expenditures of State Awards	28
Note to Schedule of Expenditures of Federal and State Awards	29
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	30

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
OFFICERS AND BOARD MEMBERS
Year Ended June 30, 2012

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, 2012. 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, 2012 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 December 21, 2012, 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 Board's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and are 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.

Roddefm Moss & Co, PLLC

Knoxville, Tennessee
December 21, 2012



INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Management's Discussion and Analysis
Year Ended June 30, 2012

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 an overview of the Board's activities for the year ended in June 30, 2012. 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.

	<u>2012</u>	<u>2011</u>
Intergovernmental	\$ 1,162,214	\$ 1,480,825
Grant revenues	707,486	1,423,117
Lease income	64,560	64,560
Rental revenue	28,800	26,720
Miscellaneous	21,019	90,381
Interest income	17,241	19,518
	<hr/>	<hr/>
Total funding	\$ <u>2,001,320</u>	\$ <u>3,105,121</u>

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Management's Discussion and Analysis (Continued)

NET ASSETS

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

	<u>2012</u>	<u>2011</u>
Current assets	\$ 3,682,258	\$ 4,007,011
Other assets	760,700	825,260
Capital assets, net of depreciation	<u>71,865,913</u>	<u>71,370,642</u>
Total assets	<u>\$ 76,308,871</u>	<u>\$ 76,202,913</u>
Current liabilities	\$ 1,299,962	\$ 1,299,701
Long-term liabilities	<u>26,823,695</u>	<u>25,623,315</u>
Total liabilities	<u>28,123,657</u>	<u>26,923,016</u>
Net Assets:		
Invested in capital assets, net	50,694,323	50,064,008
Restricted	75,000	(1,945,080)
Unrestricted	<u>(2,584,109)</u>	<u>1,160,969</u>
Total net assets	<u>48,185,214</u>	<u>49,279,897</u>
Total liabilities and net assets	<u>\$ 76,308,871</u>	<u>\$ 76,202,913</u>

Current assets experienced a net decrease of \$324,753 as of June 30, 2012, compared to June 30, 2011. The decrease is a result of the Board using additional funds in the current fiscal year to fund operations.

Capital assets increased \$495,271 as of June 30, 2012, compared to June 30, 2011, primarily due to costs associated with capital projects during the year.

Current liabilities in fiscal year 2012 remained similar to the amount reported as of June 30, 2011.

Long term liabilities increased \$1,200,380 as of June 30, 2012, when compared to June 30, 2011 primarily as a result of an increase in accrued interest of \$979,210 and a reclassification of a note payable to long-term as a result of refinancing of the debt instrument at June 30, 2011.

Net assets decreased \$1,094,683 as of June 30, 2012, compared to June 30, 2011. The decrease is primarily due to the expense associated with the recording of the accrued interest expense decreasing restricted net assets.

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Management's Discussion and Analysis (Continued)

CAPITAL ASSETS

At the fiscal year ended June 30, 2012, the Industrial Development Board had \$71,865,913 invested in capital assets, net of accumulated depreciation as outlined below, a .01% increase over last year, mainly due to an increase in construction in process of approximately \$1,200,000 in current fiscal year as a result of on-going capital projects.

	<u>2012</u>	<u>2011</u>
Land	\$ 39,417,529	\$ 39,347,153
Buildings and improvements	33,194,479	33,143,317
Construction in process	1,283,178	44,603
Furniture, fixtures and equipment	256,089	244,600
Signs	<u>45,018</u>	<u>45,018</u>
Total capital assets	74,196,293	72,824,691
Less: accumulated depreciation	<u>(2,330,380)</u>	<u>(1,454,049)</u>
Capital assets, net of depreciation	<u>\$ 71,865,913</u>	<u>\$ 71,370,642</u>

Capital assets increased \$495,271 as of June 30, 2012, compared to June 30, 2011, primarily due to costs associated with capital projects during the year less depreciation expense recorded on fixed assets during the year.

NOTES PAYABLE

At the fiscal year ended June 30, 2012, the Industrial Development Board had the following notes payable:

	<u>2012</u>	<u>2011</u>
Maryville, Tennessee	\$ 5,022,374	\$ 5,022,374
Knox County, Tennessee	5,000,000	5,000,000
Blount County, Tennessee	4,870,551	4,870,551
Alcoa, Tennessee	4,691,302	4,691,302
SunTrust Bank	1,084,653	1,153,703
First Tennessee	421,216	434,782
Regions Bank	78,859	116,409
GMAC	<u>2,635</u>	<u>17,513</u>
Total notes payable	<u>\$ 21,171,590</u>	<u>\$ 21,306,634</u>

Notes payable decreased by \$135,054 as of June 30, 2012, compared to June 30, 2011. The decrease is due to the payment on notes payable during the fiscal year.

BUDGETS

The variances between the originally adopted budget for the fiscal year ended June 30, 2012, 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.

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Management's Discussion and Analysis (Continued)

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, 2012

	Governmental Activities		
	General	Sales Development	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 501,131	\$ 2,185,627	\$ 2,686,758
Receivables			
Accounts receivable	-	930,940	930,940
Lease payments receivable, current portion	-	64,560	64,560
Total current assets	501,131	3,181,127	3,682,258
Noncurrent Assets			
Capital Assets			
Nondepreciable assets	-	40,700,707	40,700,707
Depreciable assets, net	66,229	31,098,977	31,165,206
Net capital assets	66,229	71,799,684	71,865,913
Other Assets			
Accounts receivable			
Lease payments receivable, net of current portion	-	753,200	753,200
Other assets	-	7,500	7,500
Total other assets	-	760,700	760,700
Total noncurrent assets	66,229	72,560,384	72,626,613
Total assets	\$ 567,360	\$ 75,741,511	\$ 76,308,871

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

Statement of Net Assets (Continued)

June 30, 2012

	Governmental Activities		
	General	Sales	
		Development	Total
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable and accrued expenses	\$ 92	\$ 483,131	\$ 483,223
Due to primary government	-	621,251	621,251
Lease payments, current portion	-	64,560	64,560
Notes payable, due within one year	-	130,928	130,928
Total current liabilities	92	1,299,870	1,299,962
Non-current Liabilities			
Lease payments, long-term portion	-	753,200	753,200
Accrued interest	-	5,029,833	5,029,833
Notes payable, due after one year	-	21,040,662	21,040,662
Total noncurrent liabilities	-	26,823,695	26,823,695
Total liabilities	92	28,123,565	28,123,657
NET ASSETS			
Invested in capital assets, net of related debt	66,229	50,628,094	50,694,323
Restricted for:			
Training	-	75,000	75,000
Unrestricted	501,039	(3,085,148)	(2,584,109)
Total net assets	567,268	47,617,946	48,185,214
Total liabilities and net assets	\$ 567,360	\$ 75,741,511	\$ 76,308,871

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

Statement of Activities
Year Ended June 30, 2012

	Governmental Activities		
	General	Sales Development	Total
	General	Development	Total
Expenses			
Current			
Administrative	\$ 462,227	\$ 84,213	\$ 546,440
Development	181,927	453,330	635,257
Depreciation	9,520	866,810	876,330
Debt service			
Interest	-	1,037,976	1,037,976
Total expenses	653,674	2,442,329	3,096,003
Program Revenues			
Operating grants and contribution	-	707,486	707,486
Lease income	-	64,560	64,560
Interest income	17,241	-	17,241
Total program revenues	17,241	772,046	789,287
Net program expenses	(636,433)	(1,670,283)	(2,306,716)
Other Revenues			
Intergovernmental revenues	702,943	459,271	1,162,214
Rent revenue	-	28,800	28,800
Other revenues	20	20,999	21,019
Total other revenues	702,963	509,070	1,212,033
Change in net assets	66,530	(1,161,213)	(1,094,683)
Net assets, at the beginning of the year	500,738	48,779,159	49,279,897
Net assets, at the end of the year	\$ 567,268	\$ 47,617,946	\$ 48,185,214

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

Balance Sheet - Governmental Funds

June 30, 2012

	General	Development	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 501,131	\$ 2,185,627	\$ 2,686,758
Accounts receivable	-	930,940	930,940
Total current assets	501,131	3,116,567	3,617,698
Other assets	-	7,500	7,500
Total assets	\$ 501,131	\$ 3,124,067	\$ 3,625,198
 LIABILITIES AND FUND BALANCE			
Current Liabilities			
Accounts payable and accrued expenses	\$ 92	\$ 483,131	\$ 483,223
Due to primary government	-	621,251	621,251
Total current liabilities	92	1,104,382	1,104,474
Non-current Liabilities			
Accrued interest	-	5,029,833	5,029,833
 Fund Balances			
Restricted for:			
Training	-	75,000	75,000
Unassigned	501,039	(3,085,148)	(2,584,109)
Total fund balances	501,039	(3,010,148)	(2,509,109)
Total liabilities and fund balances	\$ 501,131	\$ 3,124,067	\$ 3,625,198

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, 2012

Total Fund Balances - Government Funds \$ (2,509,109)

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 \$74,135,918 and accumulated depreciation is \$2,330,380 as of June 30, 2012 71,865,913

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. (21,171,590)

Total Net Assets - Governmental Activities \$ 48,185,214

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, 2012

	General	Development	Total
REVENUES			
Intergovernmental	\$ 702,943	\$ 459,271	\$ 1,162,214
Grant revenues	-	707,486	707,486
Interest earned	17,241	-	17,241
Rent	-	28,800	28,800
Lease income	-	64,560	64,560
Other	20	20,999	21,019
	<u>720,204</u>	<u>1,281,116</u>	<u>2,001,320</u>
Total revenues			
EXPENDITURES			
Current	644,154	537,543	1,181,697
Capital outlay	-	1,389,695	1,389,695
Debt service			
Principal	-	116,950	116,950
Interest	-	1,037,976	1,037,976
	<u>644,154</u>	<u>3,082,164</u>	<u>3,726,318</u>
Total expenditures			
Excess of revenues over expenditures	76,050	(1,801,048)	(1,724,998)
Fund balances, at the beginning of the year	<u>424,989</u>	<u>(1,209,100)</u>	<u>(784,111)</u>
Fund balances, at the end of the year	<u>\$ 501,039</u>	<u>\$ (3,010,148)</u>	<u>\$ (2,509,109)</u>

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, 2012

Changes in Fund Balances - Governmental Funds \$ (1,724,998)

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	1,389,695
Current Year Depreciation Expense on Capitalized Assets	(876,330)
Miscellaneous adjustment	

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.

Current Year Principal Payments Shown as Expenditures	<u>116,950</u>
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Change in Net Assets - Government Activities \$ (1,094,683)



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

Notes to Financial Statements
June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee (the "Board") 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 Board, 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 Board is the construction, acquiring, improving, repairing, renovation, extending, equipping, furnishing, operating, maintaining and managing current and 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 Statements - The Statement of Net Assets and Statement of Activities displays information about the Board as a whole. They include all funds of the Board 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 Board 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 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 that government officials believe are important are classified as major funds by the Board.

The funds of the Board are described below.

Governmental Fund

General Fund - The General Fund is the primary operating fund of the 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 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, 2012. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

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

Depreciation of all exhaustible capital 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:

Invested in capital 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.

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.

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:

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.

Unassigned fund balance - 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 Board's Board of Directors 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 Board to concentrations of credit risk consist primarily of cash. The Board places its cash with financial institutions and, at times, such balances may exceed federally insured amounts. All of the Board's cash balances were fully insured at June 30, 2012 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 Board's cash balances may again exceed federally insured limits.

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.

The Board's Evaluation of Subsequent Events - The Board has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2012 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through October XX, 2012, the date the financial statements were available to be issued and no items of a significant nature were noted.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local governmental unit, the 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 Board's resources follows:

Fund Accounting Requirements - The 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. At June 30, 2012 and 2011, the Board had a deficit balance within its Unassigned fund. This deficit is a result of the recording of interest expense on debt owed to other government agencies related to the Pellissippi Place project.

NOTE 3 - CASH AND CASH EQUIVALENTS

In accordance with the Board of Directors' approval, the 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 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 Board's cash deposits at June 30, 2012, is summarized as follows:

	Interest Rate	Maturity Date	Carrying Amount
Checking account:			
Mountain National Bank	0.71%	N/A	\$ 2,601,492
Capital Bank	0.10%	N/A	23,062
BB&T	0.02%	N/A	62,198
Savings account:			
Y-12 Federal Credit Union	1.00%	N/A	<u>6</u>
Total cash			<u><u>\$ 2,686,758</u></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 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, 2012 the amount of reimbursement due from the State of Tennessee on the project was \$346,151.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance at July 1, 2011	Additions	Retirements	Balance at June 30, 2012
Nondepreciable assets:				
Land	\$ 39,347,154	\$ 70,375	\$ -	\$ 39,417,529
Construction in process	44,604	\$ 1,278,157	\$ 39,583	1,283,178
Total nondepreciable assets	39,391,758	1,348,532	39,583	40,700,707
Depreciable assets:				
Buildings and improvements	33,143,318	51,161	-	33,194,479
Furniture, fixtures & equipment	244,600	11,489	-	256,089
Signs	45,018	-	-	45,018
Total depreciable assets	33,432,936	62,650	-	33,495,586
Totals assets at historical cost	72,824,694	1,411,182	39,583	74,196,293
Less: accumulated depreciation				
Buildings and improvements	1,263,036	852,320	-	2,115,356
Furniture, fixtures & equipment	168,851	21,009	-	189,860
Signs	22,163	3,001	-	25,164
Total accumulated depreciation	1,454,050	876,330	-	2,330,380
Governmental Activities				
Capital assets, net	\$ 71,370,642	\$ 534,852	\$ 39,583	\$ 71,865,913

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

NOTE 6 - NOTES PAYABLE

Notes Payable 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	1,084,653
Note payable to First Tennessee Bank with interest at 4.5%, payments due monthly of \$3,285, including interest, maturing December 2016, collateralized by property	421,216
Note payable to Regions Mortgage with interest at 5.45%, payments due monthly of \$3,587, including interest, maturing May 2014, unsecured	78,859
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>2,635</u>
	21,171,590
Less: amounts due within one year	<u>(130,928)</u>
Amounts due after one year	<u>\$ 21,040,662</u>

Future debt service requirements as of June 30, 2012 are as follows:

2013	\$ 130,928
2014	131,861
2015	969,525
2016	24,112
2017	330,937
Thereafter	<u>19,584,227</u>
	<u>\$ 21,171,590</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 Board, 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	\$ 501,039
Sales Development Fund	
Unassigned	<u>(3,085,148)</u>
Total Unassigned	<u>(2,584,109)</u>
Restricted Fund Equity	
Sales Development Fund	
Restricted for Training	<u>75,000</u>
Total Restricted	<u>75,000</u>
Total Fund Balance	<u>\$ (2,509,109)</u>

NOTE 9 - RISK FINANCING ACTIVITIES

It is the policy of the 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 four fiscal years.

NOTE 10 - CAPITAL LEASES

To induce certain businesses to relocate 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	\$	817,760
Less: current portion		<u>(64,560)</u>
Amount receivable after one year	\$	<u>753,200</u>
Future minimum lease payments receivable as of June 30, 2011:		
2013	\$	64,560
2014		64,560
2015		64,560
2016		64,560
2017		64,540
Thereafter		<u>494,980</u>
	\$	<u>817,760</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, 2012:

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 Blount County (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 the County states the Board is only responsible for proceeds actually received by the Board. The amount payable to the County as of June 30, 2012 is \$584,789.

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, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Intergovernmental Revenues				
Blount County	\$ 351,471	\$ 351,471	\$ 351,471	\$ -
City of Alcoa	175,736	175,736	175,736	-
City of Maryville	175,736	175,736	175,736	-
Interest	-	-	17,241	17,241
Miscellaneous	-	-	20	20
Total revenues	<u>702,943</u>	<u>702,943</u>	<u>720,204</u>	<u>17,261</u>
Expenditures				
Marketing				
Internet	62,000	26,700	12,135	14,565
Printed materials	12,500	12,500	8,438	4,062
UK marketing	15,000	15,000	5,562	9,438
Prospect development	57,000	62,300	62,266	34
Site selector visits	17,500	6,900	1,131	5,769
Office Operations				
Office supplies	2,000	1,930	1,408	522
Postage	3,000	3,000	871	2,129
Telephone	8,500	8,500	6,985	1,515
Equipment purchases	6,500	6,500	304	6,196
Office rent	43,230	43,230	37,458	5,772
Dues and subscriptions	4,000	4,070	4,068	2
Audit	14,020	14,020	13,000	1,020
Accounting	7,000	11,500	10,381	1,119
Computer operations	6,000	12,100	5,785	6,315
Legal	10,818	12,138	12,135	3
Administrative				
Blount County staff	349,093	383,483	383,480	3
UK staff	40,000	19,965	19,957	8
Japan staff	32,782	30,312	30,000	312
Transportation	6,000	20,495	20,493	2
Staff training	6,000	7,380	7,377	3
Miscellaneous	-	920	920	-
Total expenditures	<u>702,943</u>	<u>702,943</u>	<u>644,154</u>	<u>58,789</u>
Net changes in fund balance	-	-	76,050	<u>\$ 76,050</u>
Fund balance, at the beginning of the year	<u>225,936</u>	<u>104,389</u>	<u>424,989</u>	
Fund balance, at the end of the year	<u>\$ 225,936</u>	<u>\$ 104,389</u>	<u>\$ 501,039</u>	

See notes to financial statements.

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Schedule of Budgetary Comparison - Sales Development Fund
June 30, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental Revenues				
Blount County	\$ 322,871	\$ 334,071	\$ 334,071	\$ -
City of Alcoa	60,950	69,350	69,350	-
City of Maryville	109,024	117,424	55,850	61,574
Grant revenue	-	-	707,486	(707,486)
Chamber funding	11,000	11,000	-	11,000
Lease income	64,560	64,560	64,560	-
Rent	-	17,215	28,800	(11,585)
Miscellaneous	-	-	20,999	(20,999)
Total revenues	568,405	613,620	1,281,116	(667,496)
EXPENDITURES				
Current				
Administration and finance	55,560	29,504	23,242	6,262
Blount County Industrial Park	-	2,400	2,400	-
Stock Creek Development Center	44,000	58,780	58,571	209
Big Springs Park	16,000	13,500	10,870	2,630
Partnership Park North	12,000	11,500	3,000	8,500
Partnership Park South	28,000	31,127	31,124	3
Research and Development Park	-	71,565	71,565	-
Project Fishbowl	-	5,006	44,588	(39,582)
IV Inc (Regional Tech Consult)	-	100,050	100,000	50
Engineering	5,000	78,981	24,828	54,153
Legal	2,000	9,350	9,318	32
Inspection	15,000	15,000	-	15,000
Training	50,000	50,000	452	49,548
Marketing	-	11,000	1,890	9,110
Miscellaneous	1,000	21,592	155,695	(134,103)
Total current expenditures	228,560	509,355	537,543	(28,188)
Capital Outlay				
Construction in progress	-	155,487	206,648	(51,161)
TeamHealth	-	110,500	110,466	34
Spec building	-	8,775	8,757	18
Land purchase	-	-	60,375	(60,375)
Nisus	-	25,000	27,595	(2,595)
Royal Metal Powders	-	546,221	970,417	(424,196)
Windham Professionals	-	5,500	5,437	63
Total capital outlay	-	851,483	1,389,695	(538,212)
Total expenditures	228,560	1,360,838	1,927,238	(566,400)
Excess revenues over (under) expenditures	339,845	(747,218)	(646,122)	(101,096)
Other Financing Uses				
Retirement of debt	(211,625)	(219,275)	(116,950)	(102,325)
Interest expense	-	-	(1,037,976)	1,037,976
Total other financing uses	(211,625)	(219,275)	(1,154,926)	935,651
Net changes in fund balance	128,220	(966,493)	(1,801,048)	\$ 834,555
Fund balance, at the beginning of the year	659,807	(820,075)	(1,209,100)	
Fund balance, at the end of the year	\$ 788,027	\$ (1,786,568)	\$ (3,010,148)	

See notes to financial statements.

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Schedule of Note Requirements by Fiscal Year
June 30, 2012

Fiscal Year Ending June 30,	First Tennessee Bank DCS Project			SunTrust Bank Speculative Building		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 21,073	\$ 18,351	\$ 39,424	\$ 67,453	\$ 50,147	\$ 117,600
2014	22,041	17,383	39,424	70,728	46,872	117,600
2015	23,053	16,370	39,423	946,472	14,869	961,341
2016	24,112	15,311	39,423	-	-	-
2017	330,937	8,665	339,602	-	-	-
Thereafter	-	-	-	-	-	-
Totals	<u>\$ 421,216</u>	<u>\$ 76,080</u>	<u>\$ 497,296</u>	<u>\$ 1,084,653</u>	<u>\$ 111,888</u>	<u>\$ 1,196,541</u>

Fiscal Year Ending June 30,	Regions Mortgage			GMAC		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 39,767	\$ 3,277	\$ 43,044	\$ 2,635	\$ 22	\$ 2,657
2014	39,092	1,055	40,147	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
Thereafter	-	-	-	-	-	-
Totals	<u>\$ 78,859</u>	<u>\$ 4,332</u>	<u>\$ 83,191</u>	<u>\$ 2,635</u>	<u>\$ 22</u>	<u>\$ 2,657</u>

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
2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	-	-	-
Thereafter	14,584,227	2,758,955	17,343,182	5,000,000	1,291,667	6,291,667
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 Capital Lease Obligations by Fiscal Year
June 30, 2012

Fiscal Year Ending June 30,	DCS Electronics, Inc.
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>\$ 817,760</u>

INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
Schedule of Expenditures of State Awards
June 30, 2012

Program Name	State Agency	State Contract Number	Beginning Deferred	Cash Receipts	Expenditures	Adjustments	Ending Deferred
Fastrack Infrastructure Development	Tennessee Department of Economic and Community Development	GG-12-37221-00	\$ -	\$ 649,785	\$ 995,936	\$ -	\$ 346,151
Fastrack Infrastructure Development	Tennessee Department of Economic and Community Development	GG-09-26055-00	<u>31,900</u>	-	-	<u>(31,900)</u>	-
			<u>\$ 31,900</u>	<u>\$ 649,785</u>	<u>\$ 995,936</u>	<u>\$ (31,900)</u>	<u>\$ 346,151</u>

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, 2012

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 (the "Board") as of and for the year ended June 30, 2012, and have issued our report thereon dated December 21, 2012. 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

Management of the Board is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, 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.

Roddefm Moss & Co, PLLC

Knoxville, Tennessee
December 21, 2012

