

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE
(A Component Unit of Blount County, Tennessee)
Maryville, Tennessee**

FINANCIAL STATEMENTS

June 30, 2012

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
June 30, 2012

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**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE
(A Component Unit of Blount County, Tennessee)
Maryville, Tennessee**

INTRODUCTORY SECTION

For the Fiscal Year Ended June 30, 2012

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
LIST OF BOARD MEMBERS
For the Fiscal Year Ended June 30, 2012

Board Members:

Chairman	Robert Kidd
Vice-Chairman	Clifford Bo Henry
Secretary-Treasurer	Cheri Huffman Jones

Other Board Members:

Abbe Evans	John Lambert, Jr.
Darrell Cook	Jerry Cunningham



Joe S. Ingram, CPA (1948 – 2011)
Lonas D. Overholt, CPA
Robert L. Bean, CPA

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November 15, 2012

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Public Building Authority of
Blount County, Tennessee
Maryville, Tennessee

We have audited the accompanying financial statements of the governmental activities and each major fund of The Public Building Authority of Blount County, Tennessee, (PBA) (a component unit of Blount County, Tennessee) as of and for the fiscal year ended June 30, 2012, as listed in the Table of Contents. These financial statements are the responsibility of PBA's management. Our responsibility is to express an opinion on the 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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 PBA, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion

or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Public Building Authority of Blount County, Tennessee's basic financial statements. The supplementary information presented on pages 22 through 26 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 15, 2012, on our consideration of PBA's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

Ingram, Overholt & Bean, P.C.



November 15, 2012

Our discussion and analysis of The Public Building Authority of Blount County, Tennessee's (PBA) (a component unit of Blount County, Tennessee) financial performance provides an overview of the PBA's activities for the year ended June 30, 2012. Please read it in conjunction with the PBA'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 PBA as a whole and present a long-term view of the PBA's finances.

THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES

The Statement of Net Assets and the Statement of Activities report information about the PBA and about its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

FINANCIAL HIGHLIGHTS

The operations of The Public Building Authority of Blount County (a component unit of Blount County, Tennessee) are funded by the issuance of Public Facility Bonds which are loaned to other governmental entities and Blount County, for public facility projects.

The analysis below focuses on the government-side net assets:

	<u>2012</u>	<u>2011</u>
Current assets	\$ 4,320,856	\$ 4,159,480
Long-term assets, net	222,690,000	226,830,000
Other assets	<u>942,129</u>	<u>993,929</u>
Total Assets	<u>227,952,985</u>	<u>231,983,409</u>
Current liabilities	4,217,163	4,076,565
Non-Current liabilities	<u>222,690,000</u>	<u>226,830,000</u>
Total Liabilities	<u>226,907,163</u>	<u>230,906,565</u>
Net Assets:		
Unrestricted	<u>1,045,822</u>	<u>1,076,844</u>
Total Net Assets	<u>\$ 1,045,822</u>	<u>\$ 1,076,844</u>

(Continued)

NET ASSETS

Net assets of the PBA increased during the current year by \$571,083. Unrestricted net assets, the part of the net assets that can be used to finance day-to-day operations, increased by 94.85%.

Analysis of changes in net assets:

	<u>2012</u>	<u>2011</u>
Revenues:		
Bond fees	\$ 33,808	\$ 38,069
Interest	1,729	1,210
LOC/interest /swap interest receipts/ debt service fees	<u>8,489,855</u>	<u>2,293,258</u>
Total Revenues	<u>8,525,392</u>	<u>2,332,537</u>
Expenses:		
General Administration	13,281	9,870
Amortization of Bond Costs	51,800	512,284
LOC/interest/swap payments	7,240,717	1,569,216
Debt service LOC fees	963,518	182,592
Remarketing fees	80,573	127,775
TN Loan Program fees	206,003	414,133
Payments to Blount County	<u>522</u>	<u>118,772</u>
Total Expenses	<u>8,556,414</u>	<u>2,934,642</u>
Change in net assets	(31,022)	(602,105)
Net Assets at Beginning of Year, Restated	<u>1,076,844</u>	<u>1,678,949</u>
Net Assets at End of Year	<u>\$ 1,045,822</u>	<u>\$ 1,076,844</u>

FINANCIAL RATIOS

The ratios of Working Capital demonstrate the continuing ability to finance operations with cash. The following is a related schedule of ratios:

	<u>2012</u>	<u>2011</u>
Working Capital (the amount by which current assets exceed current liabilities)	\$ 103,693	\$ 82,915

DEBT

At the fiscal year end, the PBA had outstanding bonds totaling \$226,830,000 – all proceeds having been loaned to Blount County, Tennessee (\$136,125,000) and Blount Memorial Hospital, a component unit of Blount County, (\$90,705,000) and outstanding bonds to other government entities totaling \$697,555,000.

CONTACTING THE PBA

This financial report is designed to provide our citizens with a general view of the PBA's finances and to show the PBA's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Blount County Public Building Authority.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS –
STATEMENT OF NET ASSETS AND GOVERNMENT FUNDS BALANCE SHEET
June 30, 2012

		Governmental Activities				
	General	Loan Fund	Bond Fund	Total Governmental Funds	Adjustments	Statement of Net Assets June 30, 2012
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 103,693	\$ 77,163	\$ -	\$ 180,856	\$ -	\$ 180,856
Receivables	-	4,140,000	-	4,140,000	-	4,140,000
Total Current Assets	103,693	4,217,163	-	4,320,856	-	4,320,856
Non Current Assets:						
Long-term receivables	-	-	-	-	222,690,000 (1)	222,690,000
Other Assets:						
Bond Closing Costs, net of amortization of \$888,626	-	-	-	-	942,129 (3)	942,129
Total Assets	\$ 103,693	\$ 4,217,163	\$ -	\$ 4,320,856	\$ 223,632,129	\$ 227,952,985
LIABILITIES						
Current Liabilities:						
Bond Issuer Costs payable	\$ -	\$ 77,163	\$ -	\$ 77,163	\$ -	\$ 77,163
Public Facility Bonds Payable	-	4,140,000	-	4,140,000	-	4,140,000
Total Current Liabilities	-	4,217,163	-	4,217,163	-	4,217,163
Non Current Liabilities:						
Bonds payable	-	-	-	-	(222,690,000) (1)	222,690,000
FUND BALANCE						
Fund Balance – Unassigned	103,693	-	-	103,693	103,693 (2)	-
Total Liabilities and Fund Balance	\$ 103,693	\$ 4,217,163	\$ -	\$ 4,320,856		
NET ASSETS						
Unrestricted					1,045,822 (2)	1,045,822
Total Net Assets					\$ 1,045,822	\$ 1,045,822

Amounts reported for governmental activities in the Statement of net assets are different because:

- (1) Long-term assets and liabilities are not available for current period revenues and expenditures and therefore are deferred in the funds
- (2) Equity is reported as Net Assets in government-wide financial statements and as fund balance in fund financial statements
- (3) Bond closing costs for Blount County bonds are expensed in the fund financial statements and capitalized in the statement of net assets.

See accompanying independent auditors' report and notes.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
COMBINED GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES AND GOVERNMENT FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2012

	Governmental Activities			Total Governmental Funds	Adjustments	Statement of Activities
	General	Loan Fund	Bond Fund			
Revenues:						
Interest	\$ 773	\$ 956	\$ -	\$ 1,729	\$ -	\$ 1,729
Regions – bond fees	<u>33,808</u>	<u>-</u>	<u>-</u>	<u>33,808</u>	<u>-</u>	<u>33,808</u>
Total Revenues	<u>34,581</u>	<u>956</u>	<u>-</u>	<u>35,537</u>	<u>-</u>	<u>35,537</u>
Expenditures:						
Administrative	<u>13,281</u>	<u>-</u>	<u>-</u>	<u>13,281</u>	<u>51,800 (2)</u>	<u>65,081</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>21,300</u>	<u>956</u>	<u>-</u>	<u>22,256</u>	<u>(51,800)</u>	<u>(29,544)</u>
Other Financing Sources (Uses):						
Bond/Interest/Swap/LOC Receipts	-	-	12,464,855	12,464,855	(3,975,000) (1)	8,489,855
Bond/Swap/Interest Payments	-	-	(11,215,717)	(11,215,717)	3,975,000 (1)	(7,240,717)
Debt Service Agent Fees	-	-	(21,211)	(21,211)	-	(21,211)
Remarketing Fees	-	-	(80,573)	(80,573)	-	(80,573)
TN Loan Program Fees	-	-	(206,003)	(206,003)	-	(206,003)
Payments to Blount County	(522)	-	-	(522)	-	-
Fees to Blount County Trustee	-	-	(8,117)	(8,117)	-	(8,117)
LOC fees	-	-	(930,308)	(930,308)	-	(930,308)
Moody Investor Services	-	-	(3,028)	(3,028)	-	(3,028)
Rating Agency Fees	-	-	(854)	(854)	-	(854)
KBC LOC Draw for debt service	-	20,165,000	-	20,165,000	(20,165,000)	-
Reorganization – JPM LOC	-	(20,165,000)	-	(20,165,000)	20,165,000	-

(Continued)

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
COMBINED GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS
STATEMENT OF ACTIVITIES AND GOVERNMENT FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS (Continued)
For the Year Ended June 30, 2012

	Governmental Activities			Total Governmental Funds	Adjustments	Statement of Activities
	General	Loan Fund	Bond Fund			
Other Financing Sources (Uses): (Continued)						
Operating Transfers	-	(956)	956	-	-	-
Total Other Financing Sources (Uses)	(522)	(956)	-	(1,478)	-	-
Change in Net Assets	20,778	-	-	20,778	(51,800)	(31,022)
Net Assets –July 1	82,915	-	-	82,915	993,929	1,076,844
Net Assets – June 30	<u>\$ 103,693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,693</u>	<u>\$ 942,129</u>	<u>\$ 1,045,822</u>

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

- (1) Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.
- (2) Bond closing costs are amortized over life of the Blount County bonds issued – \$51,800.

See accompanying independent auditors' report and notes.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

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**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Public Building Authority of Blount County, Tennessee (PBA), a component unit of Blount County, Tennessee, complies with accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

A. FINANCIAL REPORTING ENTITY

The Public Building Authority of Blount County, Tennessee, chartered as a Tennessee non-profit corporation (July 1, 1997), is a component unit of Blount County, Tennessee. The County Commission approves all Board members and has financial accountability for the PBA.

The PBA, pursuant to the Public Building Authorities Act of 1971, Title 12, Chapter 10, Tennessee Code Annotated, was organized for the purpose of constructing, acquiring, repairing and renovating public facilities to improve the quality of life, and the health, safety, and welfare of the citizens, and the borrowing of funds and the execution of loan agreements, leases, and interest note swap agreements, with municipal corporations for the purpose of financing any undertaking that is eligible to be financed by bonds, notes, interim certificates or other obligations issued. The PBA has no power to obligate Blount County. The County is entitled to the net earnings of the PBA after provision for all current obligations and projects of the PBA. The PBA will exist until all loans are repaid.

B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. 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 PBA or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements (Continued):

- c. Any fund which government officials believe is important. The PBA considers all funds as major funds.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the PBA 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. The PBA accounts for loans made and bonds issued in the loan and bond funds, respectively.

Major Fund

The funds are further classified as follows:

<u>Major Fund:</u>	<u>Brief Description</u>
General	It is used to account for all activities except those legally or administratively required to be accounted for in other funds.
Special Revenue Funds: Bond Fund:	It is funded by proceeds of specific revenue sources that are restricted to expenditures for certain purposes.
Loan Fund:	It is funded by proceeds for repaying loans made to other entities and restricted to expenditures for certain purposes.

C. 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.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

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. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

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.

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, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental 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.

D. ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, cash includes all demand and money market accounts, of the PBA.

Investments, if any, are carried at fair value. Fair value is based on quoted market price.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND EQUITY (Continued)

Receivables

In the government-wide statements, receivables consist of all amounts due at year-end and not yet received.

In the fund financial statements, receivables in governmental funds include intergovernmental revenues since they are both measurable and 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 nonexchange 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.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed as unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance.

E. REVENUES, EXPENDITURES, EXPENSES, AND FUND BALANCES

Revenues and Expenses

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

Expenditures/Expenses

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

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

(Continued)

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. REVENUES, EXPENDITURES, EXPENSES, AND FUND BALANCES (Continued)

Fund Balances

Governmental fund equity is classified as fund balance. During the year ended June 30, 2012, the PBA implemented Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance and Government Fund Type Definitions. Under this statement fund balances are classified into the following categories:

- a. Nonspendable fund balances comprise those amounts that are legally or contractually required to be maintained intact.
- b. Restricted fund balances comprise those amounts constrained to be used for a specific purpose by external parties, constitution provisions or enabling legislation.
- c. Committed fund balances comprise those amounts constrained by the government itself using its highest level of governing body (Board) using its highest level of authority.
- d. Assigned fund balances are amounts intended to be used for a specific purpose by the Board through action other than the highest level of authority or an official expressly authorized by the Board.
- e. Unassigned fund balances are any amounts other than those described above and are available for any purpose.

The PBA has no formal policy with regard to classifying expenditures among the various classifications. Thus, the default provision under GASB Statement 54 applies expenditures first to restricted resources, then to committed resources, then to assigned resources, and finally to unassigned resources. No official is granted the authority to assign fund balance. In addition, the PBA has no formal policy with regard to stabilization funds.

F. BUDGETARY ACCOUNTING

Budgets and resolutions are approved when bond and loan documents are approved. The bonds and loans are pass-thrus to the various entities borrowing monies.

G. 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 and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued)

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

A. FUND ACCOUNTING REQUIREMENTS

The PBA complies with all state and local laws and regulations requiring the use of separate funds. There are no legally required funds used by the PBA.

B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with state law, all deposits of municipal funds in financial institutions must be federally insured or secured with acceptable collateral.

C. FUND BALANCE RESTRICTIONS

Deficit Prohibition

State of Tennessee Statutes prohibits the creation of a deficit fund balance in any individual fund. The PBA complied with this statute in all material respects for the year ended June 30, 2012.

NOTE 3. CASH AND INVESTMENTS

Cash – All deposits with financial institutions must be secured. Financial institutions can participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Participating banks determine the aggregate balance of their public funds' accounts for the State of Tennessee and its political subdivisions. At June 30, 2012, all cash of the PBA were fully insured through the State of Tennessee Bank Collateral Pool.

Investments – The PBA is authorized to make investments in bonds, notes or treasury bills of the U.S. Government and obligations guaranteed by the U.S. Government. Cash and cash equivalents consist of demand deposits and savings account. At June 30, 2012, cash and cash equivalents amounted to \$103,693 in the General Fund and \$77,163 in the Loan Fund.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Interest Rate Risk – The Authority does not have a formal policy that limits investment maturities as a means of managing its exposure to fair-value losses from increasing interest rate risks.

Credit Risk – The Authority has no limit on the amount it may invest in any one issuer. At June 30, 2012, the Authority has no investments in commercial paper.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
Maryville, Tennessee
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 4. GENERAL LONG-TERM DEBT/BONDS PAYABLE/LOAN AGREEMENT

A summary of bond transactions of the Authority for the period from July 1, 2011 through June 30, 2012 is as follows:

	<u>Public Facility Bonds</u>
Debt payable July 1, 2011	\$ 230,805,000
Debt retired in current year	<u>(3,975,000)</u>
Debt Payable - June 30, 2012	<u>\$ 226,830,000</u>

Bonds payable at June 30, 2012 are comprised of the following issues:

<u>Public Facility Bonds</u>	<u>Amount Outstanding</u>
\$3,000,000 – 2008 Local Government Improvement Bonds (Series B-17-A) due in installments ranging from \$85,000 to \$225,000 payable June 2010 through June 2030. Average interest at 4.40% (Jointly with Maryville/Alcoa).	\$ 2,730,000
\$2,000,000 – 2006 Local Government Improvement Bonds (Series B-10-A) due in installments ranging from \$100,000 to \$200,000 payable June 2008 through June 2021; average interest at 6.08% (Jointly with Maryville/Alcoa).	1,460,000
\$32,145,000 – 2008 Local Government Improvement Bonds (Series B-16-A) due in installments ranging from \$3,600,000 to \$500,000 payable June 2010 through June 2037; interest payable semi-annual rates ranging from 3% to 5%. Average interest rate 4.30%.	27,525,000
\$50,500,000 – 2008 Local Government Improvement Bonds (Series E-1-A) due in installments ranging from \$1,000,000 to \$8,150,000 payable June 2024 through June 2037, interest payable annually at 5%.	50,500,000
\$20,165,000 – 2008 Local Government (Series E-3-B) Improvement Bonds due in installments of \$7,500,000 and \$12,665,000 in 2030 and 2031 respectively. Interest payable annually at 4.30%.	20,165,000
\$30,830,000 – 2008 Local Government (Series E-5-A) Improvement Bonds due in installments ranging from \$370,000 to \$920,000 payable June 2010 through June 2030. Interest payable annually at 4.31%.	29,695,000
\$95,045,000 – 2008 Local Government (Series E-5-A) Bonds (Hospital) due in installments ranging from \$1,380,000 to \$8,425,000 payable June 2010 through June 2029. Interest payable annually at 4.89%.	90,705,000
\$50,925,000 Local Government (Series B-18-A) Improvement Bonds due in installments of \$50,000 payable June 2010, \$46,625,000 payable June 2011, and payables ranging from \$200,000 in June 2012 to June 2019 of \$900,000. Interest payable annually at 7.02%.	<u>4,050,000</u>
Total Bonds Outstanding	<u>\$ 226,830,000</u>

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 4. GENERAL LONG-TERM DEBT/BONDS PAYABLE/LOAN AGREEMENT (Continued)

The annual requirements to amortize all bonds outstanding as of June 30, 2012, including interest payments are \$372,028,936 as follows:

Year Ending June 30 th	Blount County and Hospital Total Bond and Interest Requirement	TOTAL	
		Bond	Interest
2013	\$ 13,225,821	\$ 4,140,000	\$ 9,085,821
2014	14,878,729	5,895,000	8,983,729
2015	15,075,290	6,195,000	8,880,290
2016	15,270,283	6,505,000	8,765,283
2017	<u>14,441,607</u>	<u>5,800,000</u>	<u>8,641,607</u>
Subtotal	<u>72,891,730</u>	<u>28,535,000</u>	<u>44,356,730</u>
2018	13,757,897	5,215,000	8,542,897
2019	13,754,807	5,285,000	8,469,807
2020	13,001,907	4,600,000	8,401,907
2021	14,469,590	6,095,000	8,374,590
2022	<u>14,406,027</u>	<u>6,200,000</u>	<u>8,206,027</u>
Subtotal	<u>69,390,228</u>	<u>27,395,000</u>	<u>41,995,228</u>
2023	14,634,652	6,510,000	8,124,652
2024	23,093,713	15,055,000	8,038,713
2025	22,393,773	15,725,000	6,668,773
2026	22,577,725	16,405,000	6,172,725
2027	<u>22,664,151</u>	<u>17,085,000</u>	<u>5,579,151</u>
Subtotal	<u>105,364,014</u>	<u>70,780,000</u>	<u>34,584,014</u>
2028	22,814,950	17,925,000	4,889,950
2029	16,429,139	12,385,000	4,044,139
2030	12,126,875	8,645,000	3,481,875
2031	15,715,750	12,665,000	3,050,750
2032	<u>9,517,500</u>	<u>7,100,000</u>	<u>2,417,500</u>
Subtotal	<u>76,604,214</u>	<u>58,720,000</u>	<u>17,884,214</u>
2033	9,613,750	7,550,000	2,063,750
2034	9,587,500	7,900,000	1,687,500
2035	9,543,750	8,250,000	1,293,750
2036	9,532,500	8,650,000	882,500
2037	<u>9,501,250</u>	<u>9,050,000</u>	<u>451,250</u>
Subtotal	<u>47,778,750</u>	<u>41,400,000</u>	<u>6,378,750</u>
Totals	<u>\$ 372,028,936</u>	<u>\$ 226,830,000</u>	<u>\$ 145,198,936</u>
Summary Totals:			
Blount County	\$ 246,080,135	\$ 136,125,000	\$ 109,955,135
Blount Memorial Hospital	<u>125,948,801</u>	<u>90,705,000</u>	<u>35,243,801</u>
	<u>\$ 372,028,936</u>	<u>\$ 226,830,000</u>	<u>\$ 145,198,936</u>

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 4. GENERAL LONG-TERM DEBT/BONDS PAYABLE/LOAN AGREEMENT (Continued)

All of the Public Facility Bond issues were loaned to Blount County, Tennessee and/or component units in separate loan agreements dated from 1997 through 2009. The proceeds were used to finance (1) construction and equipping of school buildings and facilities in and for Blount County and construction of improvements to and equipping of existing school buildings and facilities, including the acquisition of land and interests in land, and the payment of funds to the City of Maryville and the City of Alcoa to be used for capital improvements to educational facilities of the Maryville school system and the Alcoa school system, respectively, (2) acquisition of land and interests in land for and the construction and equipping of library buildings and facilities in and for Blount County, (3) reimbursement to Blount County for funds spent for said projects from available funds of Blount County, and (4) the payment of legal, fiscal, administrative and engineering costs incident thereto and incident to the issuance of the Bonds. Thus, Blount County is obligated for the above annual principal and interest payments for the Public Facility Bonds. See Notes 8 and 9 for Local Government Public Improvement Bonds Issued and Conduit Debt.

NOTE 5. RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts, theft of assets, errors and omissions, and natural disasters. No commercial insurance has been acquired for the risks of losses to which the entity is exposed. For the year ended June 30, 2012, no insurance claims are pending or payable.

NOTE 6. AGREEMENTS AND CONTRACTURAL OBLIGATIONS

Special Revenue Funds:

During the years ended June 30, 1998 through June 30, 2009, the PBA entered into eighteen loan agreements with Blount County, Tennessee, and one agreement with Blount Memorial Hospital, whereby the PBA issued revenue bonds amounting to \$456,466,115 as listed below. The proceeds were loaned to Blount County and component units for various capital projects. The bonds issued and loans drawn by Blount County, Tennessee and Blount Memorial Hospital (component unit) as of June 30, 2012 are as follows:

Bond Issue <u>Amount</u>	Loaned to <u>Blount County, TN</u>	Outstanding <u>Balance 6/30/12</u>
\$ 39,000,000	\$ 39,000,000	\$ -
20,000,000	20,000,000	-
4,100,000	4,100,000	-
10,000,000	10,000,000	-
9,100,000	9,100,000	-
10,000,000	10,000,000	-
14,000,000	14,000,000	-
13,650,000	13,650,000	-
35,000,000	35,000,000	-

(Continued)

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 6. AGREEMENTS AND CONTRACTURAL OBLIGATIONS (Continued)

Special Revenue Funds (Continued):

<u>Bond Issue Amount</u>	<u>Loaned to Blount County, Tn</u>	<u>Outstanding Balance 6/30/12</u>
3,000,000	3,000,000	2,730,000
2,000,000	2,000,000	1,460,000
15,000,000	15,000,000	-
50,500,000	50,500,000	50,500,000
20,165,000	20,165,000	20,165,000
30,830,000	30,830,000	29,695,000
95,045,000 (hospital)	95,045,000	90,705,000
50,925,000	50,925,000	4,050,000
32,145,000	32,145,000	27,525,000
<u>2,006,115</u>	<u>2,006,115</u>	<u>-</u>
<u>\$ 456,466,115</u>	<u>\$ 456,466,115</u>	<u>\$ 226,830,000</u>

General Fund:

Expenditures were as follows during the fiscal year ended June 30, 2012:

Professional fees	\$ 9,180
Insurance	4,050
Bank Service Charge/Checks	<u>51</u>
	<u>\$ 13,281</u>
 Amortization of Loan Costs	 <u>\$ 51,800</u>

NOTE 7. LITIGATION

Information provided by the attorney for the Authority indicates there are no potential claims or litigation pending against the Authority.

NOTE 8. LOCAL GOVERNMENT PUBLIC IMPROVEMENT BONDS

The Public Building Authority of Blount County, Tennessee approved resolutions authorizing the issuance and sale of Local Government Improvement Bonds of the Authority. Cumberland Securities, Division of Morgan Keegan & Co., Knoxville, TN, will purchase each Series of Bonds authorized by this resolution. Management and administration of the bonds will be by TN-LOANS Program Administrators,

(Continued)

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 8. LOCAL GOVERNMENT PUBLIC IMPROVEMENT BONDS (Continued)

Knoxville, TN. Regions Bank was confirmed as Trustee for the Loan Program. Bonds totaling \$1,860,130,000 have been issued on behalf of the following entities:

<u>Borrower</u>	<u>Original Bond Amount</u>	<u>Outstanding Bond Balance June 30, 2012</u>
City of Alcoa	\$ 154,185,000	\$ 81,410,000
Blount County	514,415,000	226,830,000
Alcoa/Maryville	10,000,000	7,515,000
Bradley County	63,560,000	41,190,000
Cleveland	68,480,000	21,210,000
Campbell County	20,550,000	9,300,000
Cumberland County	52,415,000	18,090,000
Coffee County	2,775,000	-
Cocke County	3,500,000	-
Claiborne County	6,225,000	4,450,000
Etowah	14,805,000	2,775,000
Erwin	1,500,000	-
Fayetteville	9,080,000	-
Greenville	18,160,000	-
Green County	10,000,000	3,750,000
Hendersonville	4,040,000	-
Hawkins County	40,820,000	25,285,000
Hamblen County	40,200,000	10,100,000
Hiwassee	12,000,000	11,350,000
Jefferson County	28,305,000	11,115,000
Johnson City	102,385,000	-
Johnson County	5,700,000	-
Knoxville	59,970,000	59,970,000
Knox County	193,550,000	172,430,000
Lexington	5,400,000	-
Loudon County	14,835,000	12,710,000
Maryville	78,800,000	13,205,000
Morgan County	10,000,000	-
Morristown	47,355,000	575,000
Morristown/Hamblen	5,775,000	400,000
Monroe County	34,290,000	32,265,000
Mt. Juliet	2,700,000	-
Oak Ridge	38,895,000	19,875,000
Red Bank	3,850,000	-
Roane County	21,650,000	1,150,000
Sevierville	8,000,000	-
Tri-County	7,500,000	7,400,000
Washington County	130,360,000	130,035,000
Warren County	6,500,000	-
White County	1,275,000	-
Winchester	6,325,000	-
	<u>\$ 1,860,130,000</u>	<u>\$ 924,385,000</u>
Totals		

(Continued)

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2012

NOTE 9. CONDUIT DEBT/FUNDS HELD BY TRUSTEE

The Public Building Authority has issued conduit debt (Note 8) to provide capital financing for specified third parties that is not a part of the Public Building Authority's financial reporting entity. The Authority has issued bonds totaling \$1,860,130,000 to other governmental entities (Note 8) as of June 30, 2012. The proceeds of the bonds are used to make loans to governmental entities in the State of Tennessee possessing general powers of taxation to finance public facility projects. The proceeds are loaned pursuant to a loan agreement, whereas the borrower pledges revenues and receipts therefrom, which are pledged by the Authority to the Bond Trustee. The Authority has no obligation for the issued debt beyond the resources provided by related loan agreements. The conduit debt balance as of June 30, 2012 is \$924,385,000.

NOTE 10. CAPITAL ASSETS

All equipment and a vehicle were transferred to Blount County during the year ended June 30, 2009.

NOTE 11. BOND ISSUE COSTS/AMORTIZATION

Bond issue costs incurred for bonds issued to Blount County are being amortized over the life of the bond issues as follows:

<u>Bond Series</u>	<u>Bond Costs</u>	<u>Accumulated Amortization June 30, 2011</u>	<u>Amortization June 30, 2012</u>	<u>Accumulated Amortization June 30, 2012</u>
C-2-A	\$ 500,325	\$ 500,325	\$ -	\$ 500,325 *
D-1-B	94,156	94,156	-	94,156 *
E-5-A	476,825	109,274	19,868	129,142
B-1-C	19,074	19,074	-	19,074 *
B-16-A	140,779	24,296	6,074	30,370
B-4-A	25,347	25,347	-	25,347 *
B-18-A	57,500	12,363	4,945	17,308
E-1-A	393,136	46,617	15,539	62,156
E-3-B	<u>123,613</u>	<u>5,374</u>	<u>5,374</u>	<u>10,748</u>
Totals	<u>\$ 1,830,755</u>	<u>\$ 836,826</u>	<u>\$ 51,800</u>	<u>\$ 888,626</u>

* Denotes a bond that has been fully paid.

NOTE 12. PAYROLL AND PERSONNEL

The PBA currently operates with a Board of Directors (non-salaried).

NOTE 13. SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2012, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 15, 2012 which is the date on which the financial statements were issued.

OTHER SUPPLEMENTAL INFORMATION

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
SCHEDULE OF BOND PRINCIPAL AND INTEREST
REQUIREMENTS BY FISCAL YEAR
June 30, 2012

Fiscal Year Ending June 30,	Blount County and Hospital Total Bond and Interest Requirement	Blount County		
		Total Bond and Interest Requirement	Bond	Interest
2013	\$ 13,225,821	\$ 8,999,843	\$ 2,560,000	\$ 6,439,843
2014	14,878,729	9,037,210	2,695,000	6,342,210
2015	15,075,290	9,067,128	2,820,000	6,247,128
2016	15,270,283	9,120,478	2,980,000	6,140,478
2017	14,441,607	8,126,602	2,100,000	6,026,602
Subtotal	<u>72,891,730</u>	<u>44,351,261</u>	<u>13,155,000</u>	<u>31,196,261</u>
2018	13,757,897	7,277,692	1,340,000	5,937,692
2019	13,754,807	7,084,402	1,210,000	5,874,402
2020	13,001,907	6,142,217	325,000	5,817,217
2021	14,469,590	6,144,700	345,000	5,799,700
2022	14,406,027	5,931,137	150,000	5,781,137
Subtotal	<u>69,390,228</u>	<u>32,580,148</u>	<u>3,370,000</u>	<u>29,210,148</u>
2023	14,634,652	5,934,762	160,000	5,774,762
2024	23,093,713	14,222,963	8,455,000	5,767,963
2025	22,393,773	14,161,600	8,775,000	5,386,600
2026	22,577,725	14,073,725	9,105,000	4,968,725
2027	22,664,151	13,969,401	9,435,000	4,534,401
Subtotal	<u>105,364,014</u>	<u>62,362,451</u>	<u>35,930,000</u>	<u>26,432,451</u>
2028	22,814,950	14,008,575	9,900,000	4,108,575
2029	16,429,139	7,638,825	3,960,000	3,678,825
2030	12,126,875	12,126,875	8,645,000	3,481,875
2031	15,715,750	15,715,750	12,665,000	3,050,750
2032	9,517,500	9,517,500	7,100,000	2,417,500
Subtotal	<u>76,604,214</u>	<u>59,007,525</u>	<u>42,270,000</u>	<u>16,737,525</u>
2033	9,613,750	9,613,750	7,550,000	2,063,750
2034	9,587,500	9,587,500	7,900,000	1,687,500
2035	9,543,750	9,543,750	8,250,000	1,293,750
2036	9,532,500	9,532,500	8,650,000	882,500
2037	9,501,250	9,501,250	9,050,000	451,250
Subtotal	<u>47,778,750</u>	<u>47,778,750</u>	<u>41,400,000</u>	<u>6,378,750</u>
TOTALS	<u>\$ 372,028,936</u>	<u>\$ 246,080,135</u>	<u>\$ 136,125,000</u>	<u>\$ 109,955,135</u>

See accompanying independent auditors' report and notes.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
SCHEDULE OF BOND PRINCIPAL AND INTEREST
REQUIREMENTS BY FISCAL YEAR
June 30, 2012

Fiscal Year Ending June 30,	Blount Memorial Hospital		
	Hospital Total Bond and Interest Requirement	Local Government Public Improvement Bonds (Hospital Portion) Series E-5-A 2008	
		Bond	Interest
2013	\$ 4,225,978	\$ 1,580,000	\$ 2,645,978
2014	5,841,519	3,200,000	2,641,519
2015	6,008,162	3,375,000	2,633,162
2016	6,149,805	3,525,000	2,624,805
2017	<u>6,315,005</u>	<u>3,700,000</u>	<u>2,615,005</u>
Subtotal	<u>28,540,469</u>	<u>15,380,000</u>	<u>13,160,469</u>
2018	6,480,205	3,875,000	2,605,205
2019	6,670,405	4,075,000	2,595,405
2020	6,859,690	4,275,000	2,584,690
2021	8,324,890	5,750,000	2,574,890
2022	<u>8,474,890</u>	<u>6,050,000</u>	<u>2,424,890</u>
Subtotal	<u>36,810,080</u>	<u>24,025,000</u>	<u>12,785,080</u>
2023	8,699,890	6,350,000	2,349,890
2024	8,870,750	6,600,000	2,270,750
2025	8,232,173	6,950,000	1,282,173
2026	8,504,000	7,300,000	1,204,000
2027	<u>8,694,750</u>	<u>7,650,000</u>	<u>1,044,750</u>
Subtotal	<u>43,001,563</u>	<u>34,850,000</u>	<u>8,151,563</u>
2028	8,806,375	8,025,000	781,375
2029	8,790,314	8,425,000	365,314
2030	-	-	-
2031	-	-	-
2032	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>17,596,689</u>	<u>16,450,000</u>	<u>1,146,689</u>
2033	-	-	-
2034	-	-	-
2035	-	-	-
2036	-	-	-
2037	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>
TOTALS	<u>\$ 125,948,801</u>	<u>\$ 90,705,000</u>	<u>\$ 35,243,801</u>

See accompanying independent auditors' report and notes.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
SCHEDULE OF BOND PRINCIPAL AND INTEREST
REQUIREMENTS BY FISCAL YEAR (CONTINUED)
June 30, 2012

	Public Improvement Bonds B-16-A 2008		Industrial Park Public Improvement (Blount County Portion) Bonds B-17-A 2008		Local Government Public Improvement Bonds (Blount County Portion) Series B-10-A (Taxable)	
	Bond	Interest	Bond	Interest	Bond	Interest
	2013	\$ 1,640,000	\$ 1,195,575	\$ 95,000	\$ 116,511	\$ 130,000
2014	1,985,000	1,138,175	100,000	113,188	135,000	79,972
2015	1,950,000	1,073,662	105,000	109,688	145,000	72,278
2016	2,095,000	1,002,788	115,000	105,750	150,000	63,940
2017	<u>1,100,000</u>	<u>929,462</u>	<u>120,000</u>	<u>101,150</u>	<u>160,000</u>	<u>55,240</u>
Subtotal	<u>8,770,000</u>	<u>5,339,662</u>	<u>535,000</u>	<u>546,287</u>	<u>720,000</u>	<u>358,812</u>
2018	-	885,462	125,000	96,350	170,000	45,880
2019	-	885,462	130,000	91,350	180,000	35,340
2020	-	885,462	135,000	85,825	190,000	24,180
2021	-	885,462	145,000	80,088	200,000	12,400
2022	-	<u>885,462</u>	<u>150,000</u>	<u>73,925</u>	-	-
Subtotal	-	<u>4,427,310</u>	<u>685,000</u>	<u>427,538</u>	<u>740,000</u>	<u>117,800</u>
2023	-	885,462	160,000	67,550	-	-
2024	3,290,000	885,463	165,000	60,750	-	-
2025	3,600,000	741,525	175,000	53,325	-	-
2026	3,920,000	561,525	185,000	45,450	-	-
2027	<u>4,745,000</u>	<u>365,526</u>	<u>190,000</u>	<u>37,125</u>	-	-
Subtotal	<u>15,555,000</u>	<u>3,439,501</u>	<u>875,000</u>	<u>264,200</u>	-	-
2028	200,000	152,000	200,000	28,575	-	-
2029	-	142,500	210,000	19,575	-	-
2030	-	142,500	225,000	10,125	-	-
2031	-	142,500	-	-	-	-
2032	<u>500,000</u>	<u>142,500</u>	-	-	-	-
Subtotal	<u>700,000</u>	<u>722,000</u>	<u>635,000</u>	<u>58,275</u>	-	-
2033	500,000	118,750	-	-	-	-
2034	500,000	95,000	-	-	-	-
2035	500,000	71,250	-	-	-	-
2036	500,000	47,500	-	-	-	-
2037	<u>500,000</u>	<u>23,750</u>	-	-	-	-
Subtotal	<u>2,500,000</u>	<u>356,250</u>	-	-	-	-
TOTALS	<u>\$ 27,525,000</u>	<u>\$ 14,284,723</u>	<u>\$ 2,730,000</u>	<u>\$ 1,296,300</u>	<u>\$ 1,460,000</u>	<u>\$ 476,612</u>

See accompanying independent auditors' report and notes.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
SCHEDULE OF BOND PRINCIPAL AND INTEREST
REQUIREMENTS BY FISCAL YEAR (CONTINUED)
June 30, 2012

Fiscal Year Ending June 30,	Local Government Public Improvement Bonds Series 2008 E-1-A <u>Reassigned Swaps from B-18-A</u>		Local Government Public Improvement Bonds Series E-3-B 2008 <u>Synthetically Fixed & Subject to Basis Risk</u>	
	<u>Bond</u>	<u>Interest LOC Cost and Fees</u>	<u>Bond</u>	<u>Interest LOC Cost and Fees</u>
2013	\$ -	\$ 2,525,000	\$ -	\$ 1,008,250
2014	-	2,525,000	-	1,008,250
2015	-	2,525,000	-	1,008,250
2016	-	2,525,000	-	1,008,250
2017	-	2,525,000	-	1,008,250
Subtotal	-	12,625,000	-	5,041,250
2018	-	2,525,000	-	1,008,250
2019	-	2,525,000	-	1,008,250
2020	-	2,525,000	-	1,008,250
2021	-	2,525,000	-	1,008,250
2022	-	2,525,000	-	1,008,250
Subtotal	-	12,625,000	-	5,041,250
2023	-	2,525,000	-	1,008,250
2024	1,000,000	2,525,000	-	1,008,250
2025	1,000,000	2,475,000	-	1,008,250
2026	1,000,000	2,425,000	-	1,008,250
2027	1,000,000	2,375,000	-	1,008,250
Subtotal	4,000,000	12,325,000	-	5,041,250
2028	1,000,000	2,325,000	-	1,008,250
2029	-	2,275,000	-	1,008,250
2030	-	2,275,000	7,500,000	1,008,250
2031	-	2,275,000	12,665,000	633,250
2032	6,600,000	2,275,000	-	-
Subtotal	7,600,000	11,425,000	20,165,000	3,658,000
2033	7,050,000	1,945,000	-	-
2034	7,400,000	1,592,500	-	-
2035	7,750,000	1,222,500	-	-
2036	8,150,000	835,000	-	-
2037	8,550,000	427,500	-	-
Subtotal	38,900,000	6,022,500	-	-
TOTALS	\$50,500,000	\$ 55,022,500	\$ 20,165,000	\$ 18,781,750

See accompanying independent auditors' report and notes.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
SCHEDULE OF BOND PRINCIPAL AND INTEREST
REQUIREMENTS BY FISCAL YEAR (CONTINUED)
June 30, 2012

Fiscal Year Ending June 30,	Local Government Public Improvement Bonds (Blount County Portion) Series E-5-A 2008		Local Government Public Improvement Bonds Series B-18-A 2009	
	<u>2024-28 Synthetically Fixed & Subject to Basis Risk</u>			
	<u>Bond</u>	<u>Interest</u>	<u>Bond</u>	<u>Interest</u>
		<u>LOC Cost and Fees</u>		
2013	\$ 395,000	\$ 1,339,750	\$ 300,000	\$ 167,375
2014	125,000	1,320,000	350,000	157,625
2015	120,000	1,313,750	500,000	144,500
2016	120,000	1,307,750	500,000	127,000
2017	<u>120,000</u>	<u>1,301,750</u>	<u>600,000</u>	<u>105,750</u>
Subtotal	<u>880,000</u>	<u>6,583,000</u>	<u>2,250,000</u>	<u>702,250</u>
2018	145,000	1,295,750	900,000	81,000
2019	-	1,288,500	900,000	40,500
2020	-	1,288,500	-	-
2021	-	1,288,500	-	-
2022	<u>-</u>	<u>1,288,500</u>	<u>-</u>	<u>-</u>
Subtotal	<u>145,000</u>	<u>6,449,750</u>	<u>1,800,000</u>	<u>121,500</u>
2023	-	1,288,500	-	-
2024	4,000,000	1,288,500	-	-
2025	4,000,000	1,108,500	-	-
2026	4,000,000	928,500	-	-
2027	<u>3,500,000</u>	<u>748,500</u>	<u>-</u>	<u>-</u>
Subtotal	<u>15,500,000</u>	<u>5,362,500</u>	<u>-</u>	<u>-</u>
2028	8,500,000	594,750	-	-
2029	3,750,000	233,500	-	-
2030	920,000	46,000	-	-
2031	-	-	-	-
2032	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>13,170,000</u>	<u>874,250</u>	<u>-</u>	<u>-</u>
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTALS	<u>\$ 29,695,000</u>	<u>\$ 19,269,500</u>	<u>\$ 4,050,000</u>	<u>\$ 823,750</u>

See accompanying independent auditors' report and notes.

**THE PUBLIC BUILDING AUTHORITY
OF BLOUNT COUNTY, TENNESSEE**
(A Component Unit of Blount County, Tennessee)
Maryville, Tennessee

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*

June 30, 2012



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November 15, 2012

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
The Public Building Authority
of Blount County, Tennessee
Maryville, Tennessee

We have audited the financial statements of the governmental activities and each major fund of The Public Building Authority of Blount County, Tennessee, (a component unit of Blount County, Tennessee), as of and for the year ended June 30, 2012, which collectively comprise The Public Building Authority of Blount County, Tennessee's basic financial statements and have issued our report thereon dated November 15, 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 Public Building Authority of Blount County, Tennessee is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered The Public Building Authority of Blount County, Tennessee's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Public Building Authority of Blount County, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of The Public Building Authority of Blount County, Tennessee'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 entity'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 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 Public Building Authority of Blount County, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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 *Governmental Auditing Standards*.

This report is intended solely for the information and use of the PBA Board of Directors, Blount County, Tennessee, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Ingram, Overholt & Bean, P.C.