

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2013

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

Financial Statements and Supplementary Information
Year Ended June 30, 2013

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**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
Year Ended June 30, 2013

OFFICERS AND BOARD MEMBERS

Officers

Bryan T. Daniels	President and CEO
Bruce Kerr	Director of Accounting and HR

Board Members

Chuck Alexander	Chairman
Joe Dawson	Vice Chairman
Gary Hensley	Secretary Treasurer

Other Board Members

Fred Lawson	Matthew Murray
David Black	Monica Gawet
Ed Mitchell	Mark Johnson
Greg McClain	Bryan T. Daniels (non-voting member)

Ex-Officio Members

Robert Goddard	Board Attorney
Virginia Hardwick	Chamber of Commerce Chairman



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

428 Marllyn Lane
Alcoa, Tennessee 37701

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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 fiscal year ended June 30, 2013, and the related notes to the financial statements, which comprise the Board's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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 Board as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee's basic financial statements. The supplemental schedules on pages 24 through 30 are 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2013, on our consideration of the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee'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* in considering the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee's internal control over financial reporting and compliance.

Ingram, Overholt & Bean, PC

Alcoa, Tennessee
December 18, 2013

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

Year Ended June 30, 2013

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 Board") financial performance provides an overview of the Board's activities for the year ended in June 30, 2013. Please read it in conjunction with 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 Position and the Statement of Activities provide information about the Board as a whole and present a long-term view of the Board's finances.

The Statement of Net Position 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 Position 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 position and changes in net position. You can think of the Board's net position – 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 position are one indicator or 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>2013</u>	<u>2012</u>
Intergovernmental	\$ 1,480,827	\$ 1,162,214
Grant revenues	94,434	707,486
Lease income	-	64,560
Rental revenue	62,930	28,800
Miscellaneous	5,424	21,019
Interest income	16,924	17,241
Loss on sale of assets	<u>(66,286)</u>	<u>-</u>
Total funding	<u>\$ 1,594,253</u>	<u>\$ 2,001,320</u>

(Continued)

NET POSITION

The analysis below focuses on the net position and changes in the net position of Board:

	<u>2013</u>	<u>2012</u>
Current assets	\$ 3,041,417	\$ 3,682,258
Other assets	728,420	760,700
Capital assets, net of depreciation	<u>70,375,844</u>	<u>71,865,913</u>
Total Assets	<u>74,145,681</u>	<u>76,308,871</u>
Current liabilities	766,658	1,299,962
Long-term liabilities	<u>26,714,437</u>	<u>26,823,695</u>
Total Liabilities	<u>27,481,095</u>	<u>28,123,657</u>
Net Position:		
Invested in capital assets, net	50,325,319	50,694,323
Restricted	-	75,000
Unrestricted	<u>(3,660,733)</u>	<u>(2,584,109)</u>
Total Net Position	<u>\$ 46,664,586</u>	<u>\$ 48,185,214</u>
Total Revenues	\$ 1,594,253	\$ 2,001,320
Total Expenses	<u>3,114,881</u>	<u>3,096,003</u>
Change in Net Position	<u>\$ (1,520,628)</u>	<u>\$ 1,094,683</u>

Current assets experienced a net decrease of \$640,841 as of June 30, 2013, compared to June 30, 2012. The decrease is a result of the Board using additional funds in the current fiscal year to fund operations.

Capital assets decreased \$1,490,069 as of June 30, 2013, compared to June 30, 2012, primarily due to the sale of the Spec Building during the year.

Current liabilities decreased \$533,304 as of June 30, 2013, compared to June 30, 2012, primarily due to the payoff of certain notes.

Long-term liabilities in fiscal year 2013 remained similar to the amounts reported as of June 30, 2012.

Net position decreased \$1,520,628 as of June 30, 2013, compared to June 30, 2012. The decrease is primarily due to the expenses associated with the recording of the accrued interest expense decreasing restricted net position.

CAPITAL ASSETS

At the fiscal year ended June 30, 2013, the Industrial Development Board had \$70,375,844 invested in capital assets, net of accumulated depreciation as outlined below, a .02% decrease over last year, mainly due to the sale of the Spec Building.

	<u>2013</u>	<u>2012</u>
Land	\$ 39,542,362	\$ 39,417,529
Buildings and improvements	31,647,897	33,194,479
Construction in process	1,778,805	1,283,178
Vehicles	68,446	42,425
Equipment	13,164	-
Furniture, fixtures and equipment	213,664	256,089
Signs	<u>51,843</u>	<u>45,018</u>
Total capital assets	73,316,181	74,196,293
Less: accumulated depreciation	<u>(2,940,337)</u>	<u>(2,330,380)</u>
Capital assets, net of depreciation	<u>\$ 70,375,844</u>	<u>\$ 71,865,913</u>

(Continued)

CAPITAL ASSETS (Continued)

Capital assets decreased \$1,490,069 as of June 30, 2013, compared to June 30, 2012, primarily due to the sale of the Spec Building during the year.

NOTES PAYABLE

At the fiscal year ended June 30, 2013, the Board had the following notes payable:

	<u>2013</u>	<u>2012</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	4,691,301	4,691,302
First Tennessee	402,301	421,216
Regions Bank	39,160	78,859
GMAC	24,838	2,635
SunTrust Bank	<u>-</u>	<u>1,084,653</u>
Total notes payable	<u>\$ 20,050,525</u>	<u>\$ 21,171,590</u>

Notes payable decreased by \$1,121,065 as of June 30, 2013, compared to June 30, 2012. 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, 2013, and the final budget were caused by additional outlay for projects within the industrial parks and additional funding provided through the agreements with Blount County, City of Maryville and City of Alcoa to fund operations. Other categories were amended as deemed necessary by the Board of Directors.

CONTACTING THE INDUSTRIAL DEVELOPMENT BOARD'S FINANCIAL MANAGEMENT

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

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
STATEMENT OF NET POSITION
June 30, 2013

	Governmental Activities		
	General	Sales Development	Total
ASSETS			
Current Assets			
Cash	\$ 592,507	\$ 1,811,586	\$ 2,404,093
Receivables			
Accounts receivable	-	572,764	572,764
Lease payments receivable, current portion	-	64,560	64,560
Total Current Assets	592,507	2,448,910	3,041,417
Noncurrent Assets			
Capital Assets			
Nondepreciable assets	-	41,321,167	41,321,167
Depreciable assets, net	35,208	29,019,469	29,054,677
Net Capital Assets	35,208	70,340,636	70,375,844
Other Assets			
Accounts receivable			
Lease payments receivable, net of current portion	-	720,920	720,920
Other assets	-	7,500	7,500
Total Other Assets	-	728,420	728,420
Total Noncurrent Assets	35,208	71,069,056	71,104,264
Total Assets	627,715	73,517,966	74,145,681
Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	627,715	73,517,966	74,145,681

See accompanying independent auditors' report and notes.

(Continued)

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
STATEMENT OF NET POSITION (Continued)
June 30, 2013

	Governmental Activities		
	General	Sales Development	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Current Liabilities			
Accounts payable and accrued expenses	-	37,348	37,348
Due to Blount County, Tennessee	-	598,698	598,698
Lease payments, current portion	-	64,560	64,560
Notes payable, due within one year	-	66,052	66,052
	-	766,658	766,658
Total Current Liabilities			
Non-current Liabilities			
Lease payments, long-term portion	-	720,920	720,920
Accrued interest	-	6,009,044	6,009,044
Notes payable, due after one year	-	19,984,473	19,984,473
	-	26,714,437	26,714,437
Total Noncurrent Liabilities			
Total Liabilities			
	-	27,481,095	27,481,095
Deferred Inflows of Resources			
	-	-	-
NET POSITION			
Net investment in capital assets	35,208	50,290,111	50,325,319
Unrestricted	592,507	(4,253,240)	(3,660,733)
	627,715	46,036,871	46,664,586
Total Net Position			
	\$ 627,715	\$ 46,036,871	\$ 46,664,586

See accompanying independent auditors' report and notes.

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue (Expense) and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities	\$3,181,167	\$ -	\$ 94,434	\$ (3,086,733)
Total Government	<u>\$3,181,167</u>	<u>\$ -</u>	<u>\$ 94,434</u>	<u>\$ (3,086,733)</u>
General Revenue:				
Intergovernmental receipts.....				1,480,827
Rent.....				62,930
Interest income.....				16,924
Miscellaneous revenue.....				<u>5,424</u>
Total General Revenues				<u>1,566,105</u>
Change in Net Position				(1,520,628)
Net Position at the Beginning of the Year				<u>48,185,214</u>
Net Position at the End of the Year				<u>\$46,664,586</u>

See accompanying independent auditors' report and notes.

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2013

	<u>General</u>	<u>Sales Development</u>	<u>Total</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets			
Cash and cash equivalents	\$ 592,507	\$ 1,811,586	\$ 2,404,093
Accounts receivable	<u>-</u>	<u>563,788</u>	<u>563,788</u>
Total Current Assets	592,507	2,375,374	2,967,881
Other assets	<u>-</u>	<u>16,476</u>	<u>16,476</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 592,507</u>	<u>\$ 2,391,850</u>	<u>\$ 2,984,357</u>
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Current Liabilities			
Accounts payable and accrued expenses	\$ -	\$ 37,348	\$ 37,348
Due to primary government	<u>-</u>	<u>598,698</u>	<u>598,698</u>
Total Current Liabilities	<u>-</u>	<u>636,046</u>	<u>636,046</u>
Non-current Liabilities			
Accrued interest	<u>-</u>	<u>6,009,044</u>	<u>6,009,044</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Unassigned	<u>592,507</u>	<u>(4,253,240)</u>	<u>(3,660,733)</u>
Total Fund Balances	<u>592,507</u>	<u>(4,253,240)</u>	<u>(3,660,733)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 592,507</u>	<u>\$ 2,391,850</u>	<u>\$ 2,984,357</u>

See accompanying independent auditors' report and notes.

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2013

Total Fund Balances – Government Funds	\$ (3,660,733)
Amounts reported for Governmental Activities in the Statement of Net Position 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 position, the cost of capital assets are reflected net of accumulated depreciation. The cost of capital assets is \$73,318,792 and accumulated depreciation is \$2,940,336 as of June 30, 2013.	70,375,844
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 position, the liability for notes payable are reflected.	<u>(20,050,525)</u>
Total Net Position – Governmental Activities	<u>\$ 46,664,586</u>

See accompanying independent auditors' report and notes.

**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, 2013

	<u>General</u>	<u>Sales Development</u>	<u>Total</u>
REVENUES			
Intergovernmental	\$ 722,943	\$ 757,884	\$ 1,480,827
Grant revenues	-	94,434	94,434
Interest earned	16,924	-	16,924
Rent	-	62,930	62,930
Land and building sale	-	1,185,625	1,185,625
Other	124	5,300	5,424
Note Proceeds	<u>-</u>	<u>26,021</u>	<u>26,021</u>
 Total Revenues	 <u>739,991</u>	 <u>2,132,194</u>	 <u>2,872,185</u>
EXPENDITURES			
Current	648,523	578,375	1,226,898
Capital outlay	-	617,921	617,921
Debt Service			
Principal	-	1,147,086	1,147,086
Interest	<u>-</u>	<u>1,031,904</u>	<u>1,031,904</u>
 Total Expenditures	 <u>648,523</u>	 <u>3,375,286</u>	 <u>4,023,809</u>
 Excess of Revenue Over Expenditures	 91,468	 (1,243,092)	 (1,151,624)
 Fund Balances, at the Beginning of the Year	 <u>501,039</u>	 <u>(3,010,148)</u>	 <u>(2,509,109)</u>
 Fund Balances, at the End of the Year	 <u>\$ 592,507</u>	 <u>\$ (4,253,240)</u>	 <u>\$ (3,660,733)</u>

See accompanying independent auditors' report and notes.

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
June 30, 2013

Changes in Fund Balances – Governmental Funds \$ (1,151,624)

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 and reported over their useful lives as depreciation expense.

Current Year Capital Outlay Capitalized	617,921
Current Year Depreciation Expense on Capitalized Assets	(856,079)
Miscellaneous adjustment – Sale of Assets	(1,251,911)

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.

Note Proceeds	(26,021)
Current Year Principal Payments Shown as Expenditures	<u>1,147,086</u>

Change in Net Position – Government Activities \$ (1,520,628)

See accompanying independent auditors’ report and notes.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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 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 position and Statement of Revenues, Expenses, and Change in Net Position 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 is important is 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 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.

(Continued)

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

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 position 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 position 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 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 uncured, 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 position, cash includes all demand, savings accounts, and certificates of deposit of the Board.

(Continued)

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Equity (Continued)

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. 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, 2013. 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 position. 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 position 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 position – consists of net position with constraints placed on the use wither 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 position – all other net position that do not meet the definition of “restricted” or “invested in capital assets, net or related debt.”

(Continued)

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

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 in financial institutions. Insurance coverage of \$250,000 per depositor at each financial institution, and the Board's cash balances may 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.

(Continued)

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

Notes to Financial Statements (Continued)

June 30, 2013

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 regulation. 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, 2013, the Board had a deficit balance within its Sales Development 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 as of June 30, 2013, 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 Statement of Net Position as “Cash.”

The carrying amount of the Board’s cash deposits at June 30, 2013, is summarized as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Carrying Amount</u>
Checking account:			
Mountain National Bank	0.59%	N/A	\$ 2,333,056
Capital Bank	0.10%	N/A	23,085
BB&T	0.01%	N/A	47,946
Savings account:			
Y-12 Federal Credit Union	N/A	N/A	6
Total cash			\$ 2,404,093

(Continued)

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

Notes to Financial Statements (Continued)

June 30, 2013

NOTE 4 – ACCOUNTS RECEIVABLE

State of Tennessee

The Board was awarded a grant from the Tennessee Department of Economics 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 \$397,000. All monies have been received as of June 30, 2013.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Balance at July 2, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclassification and Adjustment</u>	<u>Balance at June 30, 2013</u>
Nondepreciable assets:					
Land	\$ 39,417,529	\$ 76,284	\$ (2,612)	\$ 51,161	\$ 39,542,362
Construction in progress	<u>1,283,178</u>	<u>495,627</u>	<u>-</u>	<u>-</u>	<u>1,778,805</u>
Total nondepreciable assets	<u>40,700,707</u>	<u>571,911</u>	<u>(2,612)</u>	<u>51,161</u>	<u>41,321,167</u>
Depreciable assets:					
Buildings and improvements	33,194,479	-	(1,495,421)	(51,161)	31,647,897
Furniture, fixtures & equipment	213,664	-	-	-	213,664
Signs	45,018	6,825	-	-	51,843
Equipment	-	13,164	-	-	13,164
Vehicles	<u>42,425</u>	<u>26,021</u>	<u>-</u>	<u>-</u>	<u>68,446</u>
Total depreciable assets	<u>33,495,586</u>	<u>46,010</u>	<u>(1,495,421)</u>	<u>(51,161)</u>	<u>31,995,014</u>
Total assets at historical cost	<u>74,196,293</u>	<u>617,921</u>	<u>(1,498,033)</u>	<u>-</u>	<u>73,316,181</u>
Less: accumulated depreciation					
Buildings and improvements	(2,115,356)	(829,922)	249,532	(3,410)	(2,699,156)
Furniture, fixtures & equipment	(165,112)	(13,344)	-	-	(178,456)
Signs	(25,164)	(3,380)	-	-	(28,544)
Equipment	-	(81)	-	-	(81)
Vehicles	<u>(24,748)</u>	<u>(9,352)</u>	<u>-</u>	<u>-</u>	<u>(34,100)</u>
Total accumulated depreciation	<u>(2,330,380)</u>	<u>(856,079)</u>	<u>249,532</u>	<u>(3,410)</u>	<u>(2,940,337)</u>
Governmental Activities Capital assets, net	<u>\$ 71,865,913</u>	<u>\$ (238,158)</u>	<u>\$ (1,248,501)</u>	<u>\$ (3,410)</u>	<u>\$ 70,375,844</u>

(Continued)

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

Notes to Financial Statements (Continued)

June 30, 2013

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 \$4,691,301 with interest at 5%, payable semi-annually. Principal to be repaid as land is sold in the Research and Development Park	4,691,301
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	402,301
Note payable to Regions Mortgage with interest at 5.45%, payments due monthly of \$3,587, including interest, maturing May 2014, unsecured	39,160
Note payable to Ally Financial in the amount of \$26,021, with interest at 3.94%, payments due monthly of \$478.51, including interest, maturing March 2018, collateralized by property	<u>24,838</u> 20,050,525
Less: amounts due within one year	<u>(66,052)</u>
Amounts due after one year	<u>\$ 19,984,473</u>

Changes in notes payable (including current portions) for the year ended June 30, 2013 were as follows:

	Balance at <u>July 1, 2012</u>	Issued During <u>Fiscal Year</u>	Debt <u>Retired</u>	Balance at <u>June 30, 2013</u>
Notes Payable	<u>\$ 21,171,590</u>	<u>\$ 34,221</u>	<u>\$ 1,155,286</u>	<u>\$ 20,050,525</u>

(Continued)

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

Notes to Financial Statements (Continued)

June 30, 2013

NOTE 6 – NOTES PAYABLE (Continued)

Future debt service requirements as of June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total</u>
2014	\$ 66,052	\$ 998,540	\$ 1,064,592
2015	28,098	996,278	1,024,376
2016	29,360	995,016	1,024,376
2017	338,553	988,160	1,326,713
2018	4,236	979,282	983,518
2019-2023	-	4,896,055	4,896,055
2024-2028	-	4,896,055	4,896,055
2029-2033	-	4,896,055	4,896,055
2034-2038	-	4,896,055	4,896,055
2039-2043	-	4,896,055	4,896,055
2044-2048	-	4,896,055	4,896,055
2049-2053	-	4,896,055	4,896,055
2054-2056	19,584,226	2,937,633	22,521,859
	<u>\$ 20,050,525</u>	<u>\$ 42,167,294</u>	<u>\$ 62,217,819</u>

NOTE 7 – CONDUIT DEBT

On November 15, 2006, the Board of Directors authorized the issuance of \$32,000,000 in public improvement bonds to finance the Maryville Civic Arts Center. The bonds were issued effective December 13, 2006. Maryville College, the City of Alcoa, the City of Maryville, and federal and state grants will finance the complete project. Funds are drawn by the Board from the trustee as expenditures occur. The project was completed in fiscal year 2010.

Per an agreement dated December 13, 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 agreements. The principal balances outstanding as of June 30, 2013 totaled \$49,102,173.

NOTE 8 – FUND BALANCES

Following is schedule of fund balances as of June 30, 2013:

General Fund:	
Unassigned	\$ 592,507
Sales Development Fund	
Unassigned	<u>(4,253,240)</u>
Total Unassigned	<u>\$ (3,660,733)</u>

(Continued)

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

Notes to Financial Statements (Continued)

June 30, 2013

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.

Balance remaining on lease	\$ 785,480
Less: current portion	<u>(64,560)</u>
Amount receivable after one year	<u>\$ 720,920</u>

Future minimum lease payments receivable as of June 30, 2013 are as follows:

2014	\$ 64,560
2015	64,560
2016	64,560
2017	64,560
2018	64,560
2019-2023	322,800
2024-2026	<u>139,880</u>
	<u>\$ 785,480</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.

(Continued)

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

Notes to Financial Statements (Continued)

June 30, 2013

NOTE 11 – INTERGOVERNMENTAL COOPERATION AGREEMENT (Continued)

Principal owed by the Board to all four municipalities from future sales proceeds as of June 30, 2013:

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 was originally scheduled for September 2013, but under the terms of the installment note has been extended to September 2014. 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, 2013 is \$563,929.

NOTE 13 – IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement establishes standards for reporting deferred outflows of resources, deferred inflows or resources, and net position in a statement of financial position and also requires related disclosures. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

In addition, the GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows or resources, deferred inflows of resources, outflows or resources, or inflows of resources. Since this Statement closely correlates to Statement No. 63, the Board has elected to early implement the provisions of this statement.

NOTE 14 – SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2013, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is December 18, 2013, which is the date on which the financial statements were issued.

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

June 30, 2013

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, 2013

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
Revenues				
Intergovernmental Revenues				
Blount County	\$ 361,471	\$ 361,471	\$ 361,471	\$ -
City of Alcoa	180,736	180,736	180,736	-
City of Maryville	180,736	180,736	180,736	-
Interest	-	-	16,924	16,924
Miscellaneous	-	-	124	124
Total revenues	<u>722,943</u>	<u>722,943</u>	<u>739,991</u>	<u>17,048</u>
Expenditures				
Marketing				
Internet	38,800	38,800	37,147	1,653
Printed materials	16,500	16,500	16,476	24
UK marketing	15,000	15,000	13,959	1,041
Prospect development	91,000	91,000	87,381	3,619
Site selector visits	4,800	4,800	3,577	1,223
Office Operations				
Office supplies	2,000	2,000	1,461	539
Postage	3,000	3,000	536	2,464
Telephone	8,500	8,500	7,831	669
Equipment purchases	10,600	10,600	5,517	5,083
Office rent	43,230	43,230	43,227	3
Dues and subscriptions	4,000	4,000	3,216	784
Audit	14,020	14,020	12,500	1,520
Accounting	7,000	7,000	5,699	1,301
Computer operations	8,400	8,400	6,307	2,093
Legal	12,368	12,368	12,321	47
Administrative				
Blount County staff	352,500	352,500	348,888	3,612
UK staff	20,000	20,000	18,722	1,278
Japan staff	23,032	23,032	-	23,032
Transportation	11,500	11,500	7,397	4,103
Staff training	16,200	16,200	16,075	125
Recruiting trip	20,000	20,000	-	20,000
Miscellaneous	400	400	286	114
Total expenditures	<u>722,850</u>	<u>722,850</u>	<u>648,523</u>	<u>74,327</u>
Net change in fund balance	93	93	91,468	91,375
Fund Balance, at the Beginning of the Year	<u>501,039</u>	<u>501,039</u>	<u>501,039</u>	<u>-</u>
Fund Balance, at the End of the Year	<u>\$ 501,132</u>	<u>\$ 501,132</u>	<u>\$ 592,507</u>	<u>\$ 91,375</u>

See accompanying independent auditors' report and notes.

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
SCHEDULE OF BUDGETARY COMPARISON –
SALES DEVELOPMENT FUND
Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Intergovernmental Revenues				
Blount County	\$ 486,550	\$ 486,550	\$ 486,525	\$ (25)
City of Alcoa	247,750	247,750	214,609	(33,141)
City of Maryville	56,750	56,750	56,750	-
Grant revenue	-	-	94,434	94,434
Chamber funding	11,000	11,000	-	(11,000)
Rent	62,741	62,741	62,930	189
Gain on sale of assets	-	-	1,185,625	1,185,625
Miscellaneous	-	-	5,300	5,300
Total Revenues	<u>864,791</u>	<u>864,791</u>	<u>2,106,173</u>	<u>1,241,382</u>
Expenditures				
Current				
Administration and finance	55,560	55,760	4,808	50,952
Blount County Industrial Park	-	1,500	1,500	-
Stock Creek Development Center	21,000	87,100	80,867	6,233
Big Springs Park	21,000	21,000	6,920	14,080
Partnership Park North	12,000	12,000	5,497	6,503
Partnership Park South	28,000	44,600	38,137	6,463
Research and Development Park	28,000	114,700	111,673	3,027
Marriott Project	3,000	178,000	172,154	5,846
IV Inc (regional Tech Consult)	100,050	100,050	100,000	50
Engineering	5,000	5,000	2,130	2,870
Legal	2,000	2,000	1,985	15
Inspection	15,000	15,000	-	15,000
Fuel	-	2,550	2,511	39
Training	50,000	50,000	50,000	-
Marketing	11,000	11,000	158	10,842
Miscellaneous	1,000	1,000	35	965
Total Current Expenditures	<u>352,610</u>	<u>701,260</u>	<u>578,375</u>	<u>122,885</u>
Capital Outlay				
Construction in progress	530,000	799,200	495,625	303,575
Equipment	-	7,000	13,165	(6,165)
Signs	-	-	6,825	(6,825)
Land purchase	-	77,400	76,285	1,115
Vehicles	-	-	26,021	(26,021)
Total Capital Outlay	<u>530,000</u>	<u>883,600</u>	<u>617,921</u>	<u>265,679</u>

See accompanying independent auditors' report and notes.

(Continued)

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
SCHEDULE OF BUDGETARY COMPARISON –
SALES DEVELOPMENT FUND (CONTINUED)
Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Expenditures				
Debt Service				
Retirement of debt	205,023	1,209,323	1,147,086	62,237
Interest expense	<u>-</u>	<u>979,210</u>	<u>1,031,904</u>	<u>(52,694)</u>
Total Debt Services	<u>205,023</u>	<u>2,188,533</u>	<u>2,178,990</u>	<u>9,543</u>
Total Expenditures	<u>1,087,633</u>	<u>3,773,393</u>	<u>3,375,286</u>	<u>398,107</u>
Excess revenues over (under) expenditures	(222,842)	(2,908,602)	(1,269,113)	1,639,489
Other Financing Sources				
Note Proceeds	<u>-</u>	<u>-</u>	<u>26,021</u>	<u>26,021</u>
Net change in fund balance	(222,842)	(2,908,602)	(1,243,092)	1,665,510
Fund Balance, at the Beginning of the Year	<u>(3,010,148)</u>	<u>(3,010,148)</u>	<u>(3,010,148)</u>	<u>-</u>
Fund Balance, at the End of the Year	<u>\$ (3,232,990)</u>	<u>\$ (5,918,750)</u>	<u>\$ (4,253,240)</u>	<u>\$ 1,665,510</u>

See accompanying independent auditors' report and notes.

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE
SCHEDULE OF NOTE REQUIREMENTS BY FISCAL YEAR
June 30, 2013**

Fiscal Year Ending June 30,	First Tennessee Bank			Ally		
	Principal	DCS Project Interest	Total	Principal	Interest	Total
2014	\$ 22,041	\$ 17,383	\$ 39,424	\$ 4,851	\$ 891	\$ 5,742
2015	23,053	16,370	39,423	5,045	697	5,742
2016	24,112	15,311	39,423	5,248	494	5,742
2017	333,095	8,665	341,760	5,458	284	5,742
2018	-	-	-	4,236	71	4,307
2019-2023	-	-	-	-	-	-
2024-2028	-	-	-	-	-	-
2029-2033	-	-	-	-	-	-
2034-2038	-	-	-	-	-	-
2039-2043	-	-	-	-	-	-
2044-2048	-	-	-	-	-	-
2049-2053	-	-	-	-	-	-
2054-2056	-	-	-	-	-	-
Totals	<u>\$ 402,301</u>	<u>\$ 57,729</u>	<u>\$ 460,030</u>	<u>\$ 24,838</u>	<u>\$ 2,437</u>	<u>\$ 27,275</u>

Fiscal Year Ending June 30,	Regions Mortgage			Knox County Research and Development Park		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 39,160	\$ 1,055	\$ 40,215	\$ -	\$ 250,000	\$ 250,000
2015	-	-	-	-	250,000	250,000
2016	-	-	-	-	250,000	250,000
2017	-	-	-	-	250,000	250,000
2018	-	-	-	-	250,000	250,000
2019-2023	-	-	-	-	1,250,000	1,250,000
2024-2028	-	-	-	-	1,250,000	1,250,000
2029-2033	-	-	-	-	1,250,000	1,250,000
2034-2038	-	-	-	-	1,250,000	1,250,000
2039-2043	-	-	-	-	1,250,000	1,250,000
2044-2048	-	-	-	-	1,250,000	1,250,000
2049-2053	-	-	-	-	1,250,000	1,250,000
2054-2056	-	-	-	<u>5,000,000</u>	<u>750,000</u>	<u>5,750,000</u>
Totals	<u>\$ 39,160</u>	<u>\$ 1,055</u>	<u>\$ 40,215</u>	<u>\$5,000,000</u>	<u>\$10,750,000</u>	<u>\$15,750,000</u>

(Continued)

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
SCHEDULE OF NOTE REQUIREMENTS BY FISCAL YEAR (CONTINUED)
June 30, 2013

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Blount County, Cities of Alcoa and Maryville</u> <u>Research and Development Park</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ -	\$ 729,211	\$ 729,211
2015	-	729,211	729,211
2016	-	729,211	729,211
2017	-	729,211	729,211
2018	-	729,211	729,211
2019-2023	-	3,646,055	3,646,055
2024-2028	-	3,646,055	3,646,055
2029-2033	-	3,646,055	3,646,055
2034-2038	-	3,646,055	3,646,055
2039-2043	-	3,646,055	3,646,055
2044-2048	-	3,646,055	3,646,055
2049-2053	-	3,646,055	3,646,055
2054-2056	<u>14,584,226</u>	<u>2,187,633</u>	<u>16,771,859</u>
Totals	<u>\$ 14,584,226</u>	<u>\$31,356,073</u>	<u>\$45,940,299</u>

See accompanying independent auditors' report and notes.

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
SCHEDULE OF CAPITAL LEASE OBLIGATIONS BY FISCAL YEAR
 June 30, 2013

<u>Fiscal Year</u> <u>Ending June 30,</u>	DCS Electronics <u>Inc.</u>
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	64,560
2026	<u>10,760</u>
Totals	<u>\$ 785,480</u>

See accompanying independent auditors' report and notes.

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
SCHEDULE OF EXPENDITURES OF STATE AWARDS
June 30, 2013

<u>Program Name</u>	<u>State Agency</u>	<u>State Contract Number</u>	<u>Beginning Deferred</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Adjustments</u>	<u>Ending Deferred</u>
Fasttrack Infrastructure Development	Tennessee Department of Economic And Community Development	GG-12-37221-00	<u>\$346,151</u>	<u>\$ -</u>	<u>\$ 346,151</u>	<u>\$ -</u>	<u>\$ -</u>

The above 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.

See accompanying independent auditors' report and notes.



Joe S. Ingram, CPA (1948 - 2011)
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INDEPENDENT AUDITORS' 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the 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, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated December 18, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee'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*.

Purpose of this Report

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

Ingram, Overholt & Bean, PC

Alcoa, Tennessee

December 18, 2013