

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

**FINANCIAL STATEMENTS**

**June 30, 2013**

**THE PUBLIC BUILDING AUTHORITY  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
June 30, 2013

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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, 2013

**THE PUBLIC BUILDING AUTHORITY  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
**LIST OF BOARD MEMBERS**  
For the Fiscal Year Ended June 30, 2013

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**

**428 MARILYN LANE**  
**ALCOA, TENNESSEE 37701**

**TELEPHONE**  
**865-984-1040**  
**FACSIMILE**  
**865-982-1665**

## 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 year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the PBAs 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. 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 opinions.

## **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 PBA 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 and 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise PBA's basic financial statements. The introductory section and other supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and other supplemental information sections have 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 assurance on them.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2013, on our consideration of the PBA'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 PBA's internal control over financial reporting and compliance.

*Ingram, Overholt & Bean, P.C.*

Alcoa, Tennessee  
September 23, 2013



September 23, 2013

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, 2013. 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 Position and the Statement of Revenues, Expenses and Change in Net Position provide information about the PBA as a whole and present a long-term view of the PBA’s finances.

**THE STATEMENT OF NET POSITION AND THE STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**

The Statement of Net Position and the Statement of Revenues, Expenses and Change in Net Position 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 position and change in them. You can think of the PBA’s net position – 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 position 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-wide net position:

	<u>2013</u>	<u>2012</u>
Current assets	\$ 6,133,417	\$ 4,320,856
Long-term assets, net	216,795,000	222,690,000
Other assets	-	942,129
Total Assets	<u>222,928,417</u>	<u>227,952,985</u>
Current liabilities	6,008,483	4,217,163
Non-Current liabilities	<u>216,795,000</u>	<u>222,690,000</u>
Total Liabilities	<u>222,803,483</u>	<u>226,907,163</u>
Net Position:		
Unrestricted	<u>\$ 124,934</u>	<u>\$ 1,045,822</u>

(Continued)

## NET POSITION

The net position of the PBA increased during the current year by \$21,241. Unrestricted net position, the part of the net position that can be used to finance day-to-day operations, decreased by 88.06%, due to a change in accounting principle for bond issue costs that were amortized under prior standards, but expensed under the new standards.

Analysis of changes in net assets:

	<u>2013</u>	<u>2012</u>
Revenues:		
Bond fees	\$ 32,810	\$ 33,808
Interest	589	1,729
LOC/interest /swap interest receipts/ debt service fees	<u>9,075,019</u>	<u>8,489,855</u>
Total Revenues	<u>9,108,418</u>	<u>8,525,392</u>
Expenses:		
General Administration	11,831	13,281
Amortization of Bond Costs	-	51,800
LOC/interest/swap payments	7,977,961	7,240,717
Debt service agent/LOC fees	790,622	955,401
Remarketing fees	80,178	80,573
TN Loan Program fees	205,114	206,003
Payments to Blount County	-	522
Fees to Blount County Trustee	<u>21,471</u>	<u>8,117</u>
Total Expenses	<u>9,087,177</u>	<u>8,556,414</u>
Change in net position	21,241	(31,022)
Net Position at Beginning of Year, Restated	<u>103,693</u>	<u>1,076,844</u>
Net Position at End of Year	<u>\$ 124,934</u>	<u>\$ 1,045,822</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>2013</u>	<u>2012</u>
Working Capital (the amount by which current assets exceed current liabilities)	\$ 124,934	\$ 103,693

## DEBT

At the fiscal year end, the PBA had outstanding bonds totaling \$222,690,000 – all proceeds having been loaned to Blount County, Tennessee (\$133,565,000) and Blount Memorial Hospital, a component unit of Blount County, (\$89,125,000) and outstanding bonds to other government entities totaling \$674,790,000.

## 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 POSITION AND GOVERNMENT FUNDS BALANCE SHEET  
June 30, 2013

	Governmental Activities			Total		Statement of
	General	Loan Fund	Bond Fund	Governmental Funds	Adjustments	Net Position June 30, 2013
<b><u>ASSETS</u></b>						
Current Assets						
Cash and cash equivalents	\$ 124,934	\$ 113,483	\$ -	\$ 238,417	\$ -	\$ 238,417
Receivables	-	5,895,000	-	5,895,000	-	5,895,000
Total Current Assets	124,934	6,008,483	-	6,133,417	-	6,133,417
Non Current Assets:						
Long-term receivables	-	-	-	-	216,795,000 (1)	216,795,000
Total Assets	124,934	6,008,483	-	6,133,417	216,795,000	222,928,417
<b><u>LIABILITIES</u></b>						
Current Liabilities:						
Bond Issuer Costs payable	\$ -	\$ 113,483	\$ -	\$ 113,483	-	113,483
Public Facility Bonds Payable	-	5,895,000	-	5,895,000	-	5,895,000
Total Current Liabilities	-	6,008,483	-	6,008,483	-	6,008,483
Non Current Liabilities:						
Bonds payable	-	-	-	-	216,795,000(1)	216,795,000
Total Liabilities	-	-	-	-	-	222,803,483
<b><u>FUND BALANCE</u></b>						
Fund Balance – Unassigned	124,934	-	-	124,934	(124,934) (2)	-
Total Liabilities and Fund Balance	\$ 124,934	\$ 6,008,483	\$ -	\$ 6,133,417		
<b><u>NET POSITION</u></b>						
Unrestricted					124,934 (2)	124,934
Total Net Position					\$ 124,934	\$ 124,934

Amounts reported for governmental activities in the Statement of Net Position 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 Position in government-wide financial statements and as fund balance in fund financial statements

See accompanying independent auditors' report and notes.

**THE PUBLIC BUILDING AUTHORITY  
OF BLOUNT COUNTY, TENNESSEE**  
**COMBINED GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS  
AND GOVERNMENT FUNDS STATEMENT OF REVENUES,  
EXPENSES AND CHANGE IN NET POSITION**  
For the Year Ended June 30, 2013

	Governmental Activities			Total Governmental Funds	Adjustments	Statement of Revenues, Expenses and Change in Net Position
	General	Loan Fund	Bond Fund			
Revenues:						
Interest	\$ 262	\$ 327	\$ -	\$ 589	\$ -	\$ 589
Regions – bond fees	<u>32,810</u>	<u>-</u>	<u>-</u>	<u>32,810</u>	<u>-</u>	<u>32,810</u>
Total Revenues	<u>33,072</u>	<u>327</u>	<u>-</u>	<u>33,399</u>	<u>-</u>	<u>33,399</u>
Expenditures:						
Administrative	<u>11,831</u>	<u>-</u>	<u>-</u>	<u>11,831</u>	<u>-</u>	<u>11,831</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>21,241</u>	<u>327</u>	<u>-</u>	<u>21,568</u>	<u>-</u>	<u>21,568</u>
Other Financing Sources (Uses):						
Bond/Interest/Swap/LOC Receipts	-	-	13,215,019	13,215,019	(4,140,000) (1)	9,075,019
Bond/Swap/Interest Payments	-	-	(12,117,961)	(12,117,961)	4,140,000 (1)	(7,977,961)
Debt Service Agent Fees	-	-	(5,018)	(5,018)	-	(5,018)
Remarketing Fees	-	-	(80,178)	(80,178)	-	(80,178)
TN Loan Program Fees	-	-	(205,114)	(205,114)	-	(205,114)
Fees to Blount County Trustee	-	-	(21,471)	(21,471)	-	(21,471)
LOC fees	-	-	(777,501)	(777,501)	-	(777,501)
Moody Investor Services	-	-	(7,480)	(7,480)	-	(7,480)
Cumberland Securities Fees	-	-	(623)	(623)	-	(623)

(Continued)

**THE PUBLIC BUILDING AUTHORITY  
OF BLOUNT COUNTY, TENNESSEE**  
COMBINED GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS  
AND GOVERNMENT FUNDS STATEMENT OF REVENUES,  
EXPENSES AND CHANGE IN NET POSITION (Continued)  
For the Year Ended June 30, 2013

	Governmental Activities			Total Governmental Funds	Adjustments	Statement of Revenues, Expenses and Change in Net Position
	General	Loan Fund	Bond Fund			
Other Financing Sources (Uses): (Continued)						
Operating Transfers	-	(327)	327	-	-	-
Total Other Financing Sources (Uses)	-	(327)	-	(327)	-	(327)
Change in Net Position	21,241	-	-	21,241	-	21,241
Net Position – July 1	<u>103,693</u>	-	-	<u>103,693</u>	-	<u>103,693</u>
Net Position – June 30	<u>\$ 124,934</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 124,934</u>	<u>\$ -</u>	<u>\$ 124,934</u>

Amounts reported for governmental activities in the Statement of Revenues, Expenses and Change in Net Position 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 position.

See accompanying independent auditors' report and notes.

**THE PUBLIC BUILDING AUTHORITY  
OF BLOUNT COUNTY, TENNESSEE**  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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**THE PUBLIC BUILDING AUTHORITY  
OF BLOUNT COUNTY, TENNESSEE**  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

**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 Position and Statement of Revenues, Expenses and Change in Net Position 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.

(Continued)

**THE PUBLIC BUILDING AUTHORITY  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

**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.

(Continued)

**THE PUBLIC BUILDING AUTHORITY  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

**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 Position and the Statement of Revenues, Expenses and Change in Net Position, 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 Position and Statement of Revenues, Expenses and Change in Net Position, 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 Position, 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.

(Continued)

**THE PUBLIC BUILDING AUTHORITY  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

**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, 2013. 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 position and displayed as unrestricted net position – all other net positions that do not meet the definition of “restricted” or “investment in capital assets.”

*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, 2013

**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 prior year, 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.

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**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.

(Continued)

**THE PUBLIC BUILDING AUTHORITY  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**H. RISK MANAGEMENT**

The PBA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The PBA carries commercial insurance for all such risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**I. CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2013, the PBA implemented Governmental Accounting Standards Board (GASB) Statements Nos. 63 and 65. Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows and inflows of resources, originally introduced and defined in GASB Concepts Statement No. 4, *Elements of Financial Statements*, as a consumption of net assets applicable to a future reporting period and an acquisition of net assets applicable to a future reporting period, respectively. Further, Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position.

Statement No. 65, *Items Previously Reported as Assets and Liabilities* reclassifies and recognizes certain items that were formerly reported as assets and liabilities as one of four financial statement elements:

- Deferred outflows of resources
- Outflows of resources
- Deferred inflows of resources
- Inflows of resources

Concepts Statement No. 4 requires that deferred outflows and deferred inflows be recognized only in those instances specifically identified in GASB pronouncements. Statement No. 65 provides that guidance.

**J. RESTATEMENT OF BEGINNING NET POSITION**

Due to the changes in accounting principles described above, beginning net position has been decreased by \$942,129, from \$1,045,822 to \$103,693. The difference represents a restatement for bond issue costs that were amortized under prior standards, but expensed in the period incurred under the new standards.

(Continued)

**THE PUBLIC BUILDING AUTHORITY  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

**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, 2013.

**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, 2013, 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, 2013, cash and cash equivalents amounted to \$124,934 in the General Fund and \$113,483 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, 2013, the Authority has no investments in commercial paper.

(Continued)

**THE PUBLIC BUILDING AUTHORITY  
OF BLOUNT COUNTY, TENNESSEE**  
Maryville, Tennessee  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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

A summary of bond transactions of the Authority for the period from July 1, 2012 through June 30, 2013 is as follows:

	<u>Public Facility Bonds</u>
Debt payable July 1, 2012	\$ 226,830,000
Debt retired in current year	<u>(4,140,000)</u>
Debt Payable - June 30, 2013	<u>\$ 222,690,000</u>

Bonds payable at June 30, 2013 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).	\$ 2,635,000
\$2,000,000 – 2006 Local Government Improvement Bonds (Series B-10-A Taxable) due in installments ranging from \$100,000 to \$200,000 payable June 2008 through June 2021; average interest at 6.10% (Jointly with Maryville/Alcoa).	1,330,000
\$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 4.66%.	25,885,000
\$50,500,000 – 2008 Local Government Improvement Bonds (Series E-1-A) due in installments ranging from \$1,000,000 to \$8,550,000 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 5.00%.	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. Average interest payable annually at 4.50%.	29,300,000
\$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%.	89,125,000
\$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 4.33%.	<u>3,750,000</u>
Total Bonds Outstanding	<u>\$ 222,690,000</u>

(Continued)

**THE PUBLIC BUILDING AUTHORITY  
OF BLOUNT COUNTY, TENNESSEE**  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

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

The annual requirements to amortize all bonds outstanding as of June 30, 2013, including interest payments are \$372,028,936 as follows:

Year Ending June 30 <sup>th</sup>	Blount County and Hospital Total Bond and Interest Requirement	TOTAL	
		Bond	Interest
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	14,441,607	5,800,000	8,641,607
2018	<u>13,757,897</u>	<u>5,215,000</u>	<u>8,542,897</u>
Subtotal	<u>73,423,806</u>	<u>29,610,000</u>	<u>43,813,806</u>
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	14,406,027	6,200,000	8,206,027
2023	<u>14,634,652</u>	<u>6,510,000</u>	<u>8,124,652</u>
Subtotal	<u>70,266,983</u>	<u>28,690,000</u>	<u>41,576,983</u>
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	22,664,151	17,085,000	5,579,151
2028	<u>22,814,950</u>	<u>17,925,000</u>	<u>4,889,950</u>
Subtotal	<u>113,544,312</u>	<u>82,195,000</u>	<u>31,349,312</u>
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	9,517,500	7,100,000	2,417,500
2033	<u>9,613,750</u>	<u>7,550,000</u>	<u>2,063,750</u>
Subtotal	<u>63,403,014</u>	<u>48,345,000</u>	<u>15,058,014</u>
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>38,165,000</u>	<u>33,850,000</u>	<u>4,315,000</u>
Totals	<u>\$ 358,803,115</u>	<u>\$ 222,690,000</u>	<u>\$ 136,113,115</u>
Summary Totals:			
Blount County	\$ 237,080,292	\$ 133,565,000	\$ 103,515,292
Blount Memorial Hospital	<u>121,722,823</u>	<u>89,125,000</u>	<u>32,597,823</u>
	<u>\$ 358,803,115</u>	<u>\$ 222,690,000</u>	<u>\$ 136,113,115</u>

(Continued)

**THE PUBLIC BUILDING AUTHORITY  
OF BLOUNT COUNTY, TENNESSEE**  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

**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. 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, 2013 are as follows:

Bond Issue <u>Amount</u>	Loaned to <u>Blount County, TN</u>	Outstanding <u>Balance 6/30/13</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, 2013

**NOTE 5. AGREEMENTS AND CONTRACTURAL OBLIGATIONS (Continued)**

Special Revenue Funds (Continued):

<u>Bond Issue Amount</u>	<u>Loaned to Blount County, TN</u>	<u>Outstanding Balance 6/30/13</u>
3,000,000	3,000,000	2,635,000
2,000,000	2,000,000	1,330,000
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	29,300,000
95,045,000(hospital)	95,045,000	89,125,000
50,925,000	50,925,000	3,750,000
32,145,000	32,145,000	25,885,000
<u>2,006,115</u>	<u>2,006,115</u>	<u>-</u>
<u>\$ 456,466,115</u>	<u>\$ 456,466,115</u>	<u>\$ 222,690,000</u>

General Fund:

Expenditures were as follows during the fiscal year ended June 30, 2013:

Professional fees	\$ 7,320
Insurance	4,455
TN Secretary of State	<u>40</u>
	<u>\$ 11,815</u>

**NOTE 6. LITIGATION**

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

**NOTE 7. 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, 2013

**NOTE 7. 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, 2013</u>
City of Alcoa	\$ 154,185,000	\$ 79,105,000
Blount County	514,415,000	222,690,000
Alcoa/Maryville	10,000,000	6,915,000
Bradley County	63,560,000	39,090,000
Cleveland	68,480,000	21,080,000
Campbell County	20,550,000	8,100,000
Cumberland County	52,415,000	17,185,000
Coffee County	2,775,000	-
Cocke County	3,500,000	-
Claiborne County	6,225,000	-
Etowah	14,805,000	2,475,000
Erwin	1,500,000	-
Fayetteville	9,080,000	-
Greenville	18,160,000	-
Green County	10,000,000	2,845,000
Hendersonville	4,040,000	-
Hawkins County	40,820,000	24,635,000
Hamblen County	40,200,000	10,100,000
Hiwassee	12,000,000	11,165,000
Jefferson County	28,305,000	10,510,000
Johnson City	102,385,000	-
Johnson County	5,700,000	-
Knoxville	59,970,000	59,970,000
Knox County	193,550,000	166,690,000
Lexington	5,400,000	-
Loudon County	14,835,000	11,935,000
Maryville	78,800,000	13,205,000
Morgan County	10,000,000	-
Morristown	47,355,000	-
Morristown/Hamblen	5,775,000	205,000
Monroe County	34,290,000	32,075,000
Mt. Juliet	2,700,000	-
Oak Ridge	38,895,000	19,625,000
Red Bank	3,850,000	-
Roane County	21,650,000	925,000
Sevierville	8,000,000	-
Tri-County	7,500,000	7,300,000
Washington County	130,360,000	129,655,000
Warren County	6,500,000	-
White County	1,275,000	-
Winchester	6,325,000	-
	<u>\$ 1,860,130,000</u>	<u>\$ 897,480,000</u>
Totals		

(Continued)

**THE PUBLIC BUILDING AUTHORITY  
OF BLOUNT COUNTY, TENNESSEE**  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2013

**NOTE 8. CONDUIT DEBT/FUNDS HELD BY TRUSTEE**

The Public Building Authority has issued conduit debt (Note 7) 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 7) as of June 30, 2013. 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, 2013 is \$897,480,000.

**NOTE 9. CAPITAL ASSETS**

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

**NOTE 10. PAYROLL AND PERSONNEL**

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

**NOTE 11. 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 September 23, 2013 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, 2013

Fiscal Year Ending June 30,	Blount County and Hospital Total Bond and Interest Requirement	Blount County		
		Total Bond and Interest Requirement	Bond	Interest
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
2018	<u>13,757,897</u>	<u>7,277,692</u>	<u>1,340,000</u>	<u>5,937,692</u>
Subtotal	<u>73,423,806</u>	<u>42,629,110</u>	<u>11,935,000</u>	<u>30,694,110</u>
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
2023	<u>14,634,652</u>	<u>5,934,762</u>	<u>160,000</u>	<u>5,774,762</u>
Subtotal	<u>70,266,983</u>	<u>31,237,218</u>	<u>2,190,000</u>	<u>29,047,218</u>
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
2028	<u>22,814,950</u>	<u>14,008,575</u>	<u>9,900,000</u>	<u>4,108,575</u>
Subtotal	<u>113,544,312</u>	<u>70,436,264</u>	<u>45,670,000</u>	<u>24,766,264</u>
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
2033	<u>9,613,750</u>	<u>9,613,750</u>	<u>7,550,000</u>	<u>2,063,750</u>
Subtotal	<u>63,403,014</u>	<u>54,612,700</u>	<u>39,920,000</u>	<u>14,692,700</u>
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	<u>9,501,250</u>	<u>9,501,250</u>	<u>9,050,000</u>	<u>451,250</u>
Subtotal	<u>38,165,000</u>	<u>38,165,000</u>	<u>33,850,000</u>	<u>4,315,000</u>
<b>TOTALS</b>	<u>\$ 358,803,115</u>	<u>\$ 237,080,292</u>	<u>\$ 133,565,000</u>	<u>\$ 103,515,292</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, 2013

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
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	6,315,005	3,700,000	2,615,005
2018	6,480,205	3,875,000	2,605,205
Subtotal	<u>30,794,696</u>	<u>17,675,000</u>	<u>13,119,696</u>
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	8,474,890	6,050,000	2,424,890
2023	8,699,890	6,350,000	2,349,890
Subtotal	<u>39,029,765</u>	<u>26,500,000</u>	<u>12,529,765</u>
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	8,694,750	7,650,000	1,044,750
2028	8,806,375	8,025,000	781,375
Subtotal	<u>43,108,048</u>	<u>36,525,000</u>	<u>6,583,048</u>
2029	8,790,314	8,425,000	365,314
2030	-	-	-
2031	-	-	-
2032	-	-	-
Subtotal	<u>8,790,314</u>	<u>8,425,000</u>	<u>365,314</u>
2033	-	-	-
2034	-	-	-
2035	-	-	-
2036	-	-	-
2037	-	-	-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTALS</b>	<u><u>\$ 121,722,823</u></u>	<u><u>\$ 89,125,000</u></u>	<u><u>\$ 32,597,823</u></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, 2013

	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
	2014	\$ 1,985,000	\$ 1,138,175	\$ 100,000	\$ 113,188	\$ 135,000
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	1,100,000	929,462	120,000	101,150	160,000	55,240
2018	-	885,462	125,000	96,350	170,000	45,880
Subtotal	<u>7,130,000</u>	<u>5,029,549</u>	<u>565,000</u>	<u>526,126</u>	<u>760,000</u>	<u>317,310</u>
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	-	885,462	150,000	73,925	-	-
2023	-	885,462	160,000	67,550	-	-
Subtotal	<u>-</u>	<u>4,427,310</u>	<u>720,000</u>	<u>398,738</u>	<u>570,000</u>	<u>71,920</u>
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	4,745,000	365,526	190,000	37,125	-	-
2028	200,000	152,000	200,000	28,575	-	-
Subtotal	<u>15,755,000</u>	<u>2,706,039</u>	<u>915,000</u>	<u>225,225</u>	<u>-</u>	<u>-</u>
2029	-	142,500	210,000	19,575	-	-
2030	-	142,500	225,000	10,125	-	-
2031	-	142,500	-	-	-	-
2032	500,000	142,500	-	-	-	-
2033	500,000	118,750	-	-	-	-
Subtotal	<u>1,000,000</u>	<u>688,750</u>	<u>435,000</u>	<u>29,700</u>	<u>-</u>	<u>-</u>
2034	500,000	95,000	-	-	-	-
2035	500,000	71,250	-	-	-	-
2036	500,000	47,500	-	-	-	-
2037	500,000	23,750	-	-	-	-
Subtotal	<u>2,000,000</u>	<u>237,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTALS</b>	<u>\$ 25,885,000</u>	<u>\$ 13,089,148</u>	<u>\$ 2,635,000</u>	<u>\$ 1,179,789</u>	<u>\$ 1,330,000</u>	<u>\$ 389,230</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, 2013

Fiscal Year Ending June 30,	Local Government Public Improvement Bonds Series 2008 E-1-A		Local Government Public Improvement Bonds Series E-3-B 2008	
	<u>Reassigned Swaps from B-18-A</u>		<u>Synthetically Fixed &amp; 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>
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
2018	-	<u>2,525,000</u>	-	<u>1,008,250</u>
Subtotal	<u>-</u>	<u>12,625,000</u>	<u>-</u>	<u>5,041,250</u>
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
2023	-	<u>2,525,000</u>	-	<u>1,008,250</u>
Subtotal	<u>-</u>	<u>12,625,000</u>	<u>-</u>	<u>5,041,250</u>
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
2028	<u>1,000,000</u>	<u>2,325,000</u>	-	<u>1,008,250</u>
Subtotal	<u>5,000,000</u>	<u>12,125,000</u>	<u>-</u>	<u>5,041,250</u>
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	-	-
2033	<u>7,050,000</u>	<u>1,945,000</u>	-	-
Subtotal	<u>13,650,000</u>	<u>11,045,000</u>	<u>20,165,000</u>	<u>2,649,750</u>
2034	7,400,000	1,592,500	-	-
2035	7,750,000	1,222,500	-	-
2036	8,150,000	835,000	-	-
2037	<u>8,550,000</u>	<u>427,500</u>	-	-
Subtotal	<u>31,850,000</u>	<u>4,077,500</u>	<u>-</u>	<u>-</u>
<b>TOTALS</b>	<u><b>\$50,500,000</b></u>	<u><b>\$ 52,497,500</b></u>	<u><b>\$ 20,165,000</b></u>	<u><b>\$ 17,773,500</b></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, 2013

Fiscal Year Ending June 30,	Local Government Public Improvement Bonds (Blount County Portion) Series E-5-A 2008 <u>2024-28 Synthetically Fixed &amp; Subject to Basis Risk</u>		Local Government Public Improvement Bonds Series B-18-A 2009	
	<u>Bond</u>	<u>Interest LOC Cost and Fees</u>	<u>Bond</u>	<u>Interest</u>
	2014	\$ 125,000	\$ 1,320,000	\$ 350,000
2015	120,000	1,313,750	500,000	144,500
2016	120,000	1,307,750	500,000	127,000
2017	120,000	1,301,750	600,000	105,750
2018	<u>145,000</u>	<u>1,295,750</u>	<u>900,000</u>	<u>81,000</u>
Subtotal	<u>630,000</u>	<u>6,539,000</u>	<u>2,850,000</u>	<u>615,875</u>
2019	-	1,288,500	900,000	40,500
2020	-	1,288,500	-	-
2021	-	1,288,500	-	-
2022	-	1,288,500	-	-
2023	<u>-</u>	<u>1,288,500</u>	<u>-</u>	<u>-</u>
Subtotal	<u>-</u>	<u>6,442,500</u>	<u>900,000</u>	<u>40,500</u>
2024	4,000,000	1,288,500	-	-
2025	4,000,000	1,108,500	-	-
2026	4,000,000	928,500	-	-
2027	3,500,000	748,500	-	-
2028	<u>8,500,000</u>	<u>594,750</u>	<u>-</u>	<u>-</u>
Subtotal	<u>24,000,000</u>	<u>4,668,750</u>	<u>-</u>	<u>-</u>
2029	3,750,000	233,500	-	-
2030	920,000	46,000	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>4,670,000</u>	<u>279,500</u>	<u>-</u>	<u>-</u>
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTALS	<u>\$ 29,300,000</u>	<u>\$ 17,929,750</u>	<u>\$ 3,750,000</u>	<u>\$ 656,375</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

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*

June 30, 2013

# Ingram Overholt & Bean, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

JOE S. INGRAM, CPA (1948 – 2011)  
LONAS D. OVERHOLT, CPA  
ROBERT L. BEAN, CPA

428 MARILYN LANE  
ALCOA, TENNESSEE 37701

TELEPHONE  
865-984-1040  
FACSIMILE  
865-982-1665

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLAINTS 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, 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, the financial statements of the governmental activities and each major fund of PBA (a component unit of Blount County Tennessee), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise PBA's basic financial statements, and have issued our report thereon dated September 23, 2013.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered PBA'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PBA's internal control. Accordingly, we do not express an opinion on the effectiveness of PBA'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*, 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. 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 PBA's financial statements are free from 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, P.C.*

Alcoa, Tennessee  
September 23, 2013