

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
Maryville, Tennessee

**FINANCIAL STATEMENTS**

June 30, 2014

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**

Maryville, Tennessee

June 30, 2014

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**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
Maryville, Tennessee

SECTION ONE

INTRODUCTORY SECTION

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**

Maryville, Tennessee

**LIST OF PRINCIPAL OFFICIALS**

June 30, 2014

**BOARD MEMBERS:**

Bryan Cable	Chairperson
Jewell Overton	Vice Chairman
Tim Seay	Secretary/Treasurer/Representative to the Joint Operating Committee
Gary Farmer	
Greg McClain	
Mark Johnson	
Chad Rochelle	
Mark Chipperfield	
Boyce Smith	
Tom Bogart	

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
Maryville, Tennessee

SECTION TWO

FINANCIAL SECTION



Joe S. Ingram, CPA (1948 - 2011)  
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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Smoky Mountain Tourism Development Authority  
Maryville, Tennessee

We have audited the accompanying financial statements of Smoky Mountain Tourism Development Authority for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which comprise the Authority'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 Authority'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 Smoky Mountain Tourism Development Authority for the fiscal year ended June 30, 2014 and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Smoky Mountain Tourism Development Authority's financial statements as a whole. The introductory section on page 1 and the supplementary schedules on pages 20 through 24 are presented for purposes of additional analysis and are not a required part of the 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 16, 2014, on our consideration of the Smoky Mountain Tourism Development Authority'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 Smoky Mountain Tourism Development Authority's internal control over financial reporting and compliance.

*Ingram, Overholt & Bean, PC*

Alcoa, Tennessee

December 16, 2014

December 16, 2014

Our discussion and analysis of the Smoky Mountain Tourism Development Authority's financial performance provides an overview of the Authority's activities for the fiscal year ended June 30, 2014.

## **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 Authority as a whole and present a long-term view of the Authority's finances.

## **THE STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES**

One of the most important questions asked about the Authority's finances is "Is the Authority better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the Authority 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 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.

The Statement of Net Position and the Statement of Activities report the Authority's net position and changes in them, respectively. You can think of the Authority's net position – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net position is one indicator of whether its financial health is improving or deteriorating.

## **FINANCIAL HIGHLIGHTS**

The operations of the Smoky Mountain Tourism Development Authority are primarily funded as follows:

Blount County – Hotel/Motel tax collected	98%
Other	<u>2%</u>
	<u>100%</u>

Operational costs for the Authority were \$1,765,041 for the fiscal year ended June 30, 2014.

## NET POSITION

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

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Current assets	\$ 468,702	\$ 608,412
Non-current assets	<u>1,088,756</u>	<u>920,157</u>
Total Assets	<u>1,557,458</u>	<u>1,528,569</u>
Current liabilities	63,905	143,215
Non-Current liabilities	<u>-</u>	<u>182,778</u>
Total Liabilities	<u>63,905</u>	<u>325,993</u>
Net Position - Unrestricted	404,797	531,860
Net investment in capital assets	1,069,069	639,577
Restricted	<u>19,687</u>	<u>31,139</u>
Total Net Position	<u>\$ 1,493,553</u>	<u>\$ 1,202,576</u>
Total Revenues	\$ 2,056,018	\$ 2,931,539
Total Expenses	<u>1,765,041</u>	<u>1,728,963</u>
Change in Net Position	<u>\$ 290,977</u>	<u>\$ 1,202,576</u>

NOTE: Prior to June 2012, the Tourism Authority funds were reported as a discretely presented component unit of Blount County, Tennessee.

## FINANCIAL RATIOS

The ratios of Working Capital demonstrate the continuing ability to finance operations with cash. The stability of the current ratio indicates the Authority's ability to meet short-term debt obligations. The higher the ratio, the more liquid the Authority is.

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Working Capital (the amount by which current assets exceed current liabilities)	\$ 404,797	\$ 465,197
Current Ratio (compares current assets to current liabilities – as an indicator of the ability to pay current obligations)	7.33	4.25

## CAPITAL ASSETS

At June 30, 2014, the Authority had \$1,108,756 invested in capital assets as outlined below:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Capital Assets, non-depreciable:		
Land and land rights	\$ 769,946	\$ 769,946
Depreciable:		
Buildings and improvements	<u>332,088</u>	<u>153,313</u>
Total Capital Assets	<u>1,102,034</u>	<u>923,259</u>
Accumulated Depreciation	<u>(13,278)</u>	<u>(3,102)</u>
Net Capital Assets	<u>\$ 1,088,756</u>	<u>\$ 920,157</u>

## **DEBT**

At June 30, 2014, the Authority had outstanding debt of \$19,687 consisting of a capital outlay notes payable. Additional information of debt can be found in Note 6 to the financial statement.

## **BUDGETS**

The Smoky Mountain Tourism Development Authority adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Authority, the management of the Authority, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Authority to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Authority complied with the budget ordinance and whether or not the Authority succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the Board; 2) the final budget as amended by the Board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

## **CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens with a general view of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Executive Director of the Smoky Mountain Tourism Development Authority of Maryville, TN 37804.

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
Maryville, Tennessee

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

June 30, 2014

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
Maryville, Tennessee  
**STATEMENT OF NET POSITION**  
June 30, 2014

<u><b>ASSETS</b></u>	<u>Governmental Activities</u>
Current Assets:	
Cash in bank.....	\$ 69,805
Receivables .....	<u>398,897</u>
Total Current Assets.....	468,702
Non-Current Assets:	
Non-depreciable capital assets .....	769,946
Depreciable Capital Assets, net of depreciation .....	<u>318,810</u>
Total Non-Current Assets .....	1,088,756
Total Assets .....	<u>1,557,458</u>
<b>DEFERRED OUTFLOWS OF RESOURCES .....</b>	<u>-</u>
 <u><b>LIABILITIES</b></u>	
Current Liabilities:	
Accounts payable.....	44,218
Note payable within (1) year .....	<u>19,687</u>
Total Current Liabilities .....	<u>63,905</u>
<b>DEFERRED INFLOWS OF RESOURCES .....</b>	<u>-</u>
 <u><b>NET POSITION</b></u>	
Net investment in capital assets.....	1,069,069
Unrestricted.....	404,797
Restricted for:	
Debt Reduction .....	<u>19,687</u>
Total Net Position.....	<u>\$ 1,493,553</u>

See accompanying independent auditors' report and notes.

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
Maryville, Tennessee  
**STATEMENT OF ACTIVITIES**  
June 30, 2014

		Revenues		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
Function/ Programs				
Governmental Activities:				
General and Administrative	<u>\$ 1,765,041</u>	<u>\$ -</u>	<u>\$ -</u>	\$ (1,765,041)
General Revenues:				
Blount County – Hotel/Motel				
Tax collected				2,010,049
Miscellaneous				<u>45,969</u>
Total General Revenues				<u>2,056,018</u>
Change in net Position				290,977
Net Position – Beginning				<u>1,202,576</u>
Net Position – Ending				<u>\$ 1,493,553</u>

See accompanying independent auditors' report and notes.

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
Maryville, Tennessee

**FUND FINANCIAL STATEMENTS**

June 30, 2014

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
 Maryville, Tennessee  
**GOVERNMENTAL FUND**  
**BALANCE SHEET**  
 June 30, 2014

<u>ASSETS</u>	<u>General</u>
Cash in bank.....	\$ 69,805
Receivables .....	<u>398,897</u>
Total Assets.....	<u>\$ 468,702</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Accounts payable .....	<u>\$ 44,218</u>
Fund Balance:	
Unassigned .....	404,797
Assigned for:	
Debt Reduction.....	<u>19,687</u>
Total Fund Balance.....	<u>424,484</u>
Total Liabilities and Fund Balance .....	<u>\$ 468,702</u>

See accompanying independent auditors' report and notes.

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
Maryville, Tennessee  
**RECONCILIATION OF THE BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
June 30, 2014

Fund balance – total governmental fund.....	\$	424,484
<p>Amounts reported for the governmental activities in the statement of net position are different because:</p>		
<p>Capital assets, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds balance sheet. In the statement of net position, the cost of capital assets are reflected net of accumulated depreciation. The cost of capital assets is \$1,102,034 and accumulated depreciation is \$13,278 as of June 30, 2014. ....</p>		1,088,756
<p>Notes payable are not financial obligations of the current period and therefore, are not reported as liabilities in the governmental funds balance sheet. In the statement of net position, the liability for notes payable are reflected.....</p>		<u>(19,687)</u>
Total Net Position – Governmental Activities.....	\$	<u>1,493,553</u>

See accompanying independent auditors’ report and notes.

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
Maryville, Tennessee  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENT FUND**  
June 30, 2014

	<u>General</u>
<b>Revenues:</b>	
Blount County – Hotel/Motel tax collected .....	\$ 2,010,049
Miscellaneous income .....	<u>45,969</u>
Total Revenues .....	<u>2,056,018</u>
<b>Expenditures:</b>	
General and administrative .....	1,751,115
Capital Outlay .....	178,775
Debt Service:	
Principal .....	260,893
Interest .....	<u>3,750</u>
Total Expenditures .....	<u>2,194,533</u>
<b>Excess (Deficiency) of Revenues Over</b>	
Expenditures .....	<u>(138,515)</u>
Fund Balance – June 30, 2013 .....	<u>562,999</u>
Fund Balance – June 30, 2014 .....	<u>\$ 424,484</u>

See accompanying independent auditors' report and notes.

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
Maryville, Tennessee  
**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES**  
June 30, 2014

Net change in fund balance – governmental fund .....	\$ (138,515)
<p>Amounts reported for the governmental activities in the statement of activities  are different because:</p>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. ....	168,599
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. ....	<u>260,893</u>
Changes in net position of governmental activities .....	<u>\$ 290,977</u>

See accompanying independent auditors' report and notes.

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
Maryville, Tennessee

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
Maryville, Tennessee  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 1 – GENERAL INFORMATION:**

The Smoky Mountain Tourism Development Authority was chartered on June 6, 2012. The purpose of the Tourism Authority is to promote tourism in Blount County. The Authority is a legally separate entity governed by a ten-member board, which includes one representative of Blount County. The Board of Directors of the Tourism Authority shall be selected in the manner provided in the Private Act for the selection of the directors of the Smoky Mountain Tourism Board. The terms of office of directors of Tourism Authority shall be six years as provided in the Private Act, provided the initial directors shall be designated for staggered terms. The Authority's primary funding source is proceeds of a hotel/motel tax. The tax is currently set at the rate of five percent, which is the maximum allowed. The Authority is fiscally dependent on the county since the rate of the tax is set annually by the County Commission.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. Reporting Entity**

The Tourism Authority is a joint venture with Blount County. The Tourism Authority is the successor to the Smoky Mountain Tourism Board, which was created pursuant to Chapter 63 of the 2012 Private Acts of the Tennessee General Assembly. The Tourism Authority shall have employees, including a President and CEO, as the Board of Directors of the Tourism Authority deems appropriate. The President and CEO of the board will be the President and CEO of the Blount Partnership as specified by the Joint Operating Agreement and have all such powers therefore described therein.

**B. Basis of Presentation – Fund Accounting**

*Government-wide Statements:* The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Authority's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds, if applicable, are aggregated and reported as non-major funds.

(Continued)

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
Maryville, Tennessee  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**B. Basis of Presentation – Fund Accounting (Continued)**

*Fund Financial Statements (Continued):*

The Authority reports the following major governmental fund:

**General Fund** – The General Fund is the general operating fund of the Authority. The General Fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources are occupancy taxes. The primary expenditures are for administration, marketing, and tourism.

**C. Measurement Focus and Basis of Accounting**

In accordance with Tennessee General Statutes, all funds of the Authority are maintained during the year using the modified accrual basis of accounting.

*Governmental Fund Financial Statements:* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**D. Budgetary Data**

The Authority's budgets are adopted as required by the Tennessee General Statutes. An annual budget is adopted for the General Fund. All annual appropriations lapse at the fiscal year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level of all annually budgeted funds and at the object level for the multi-year funds. Amendments are required for any revisions that alter total expenditures of any fund or that change functional appropriations exceeding 10% for the appropriated monies for the department whose allocation is reduced. All amendments approved by the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**E. Assets, Liabilities and Fund Equity**

1. Deposits and Investments

All deposits of the Authority are made in board-designated official depositories and are secured as required by State law. The Authority may designate, as an official depository, any bank or savings association whose principal office is located in Tennessee. Also, the Authority may establish time deposit accounts such as NOW and Super-NOW accounts, money market accounts, and certificates of deposits.

(Continued)

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
of  
Maryville, Alcoa, and Blount County  
Maryville, Tennessee  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**E. Assets, Liabilities and Fund Equity (Continued)**

1. Deposits and Investments (Continued)

State law authorized the Authority to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of Tennessee; bonds and notes of any Tennessee local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances.

2. Cash and Cash Equivalents

The Authority considers all highly liquid investments with an original maturity of three (3) months or less to be "cash equivalents".

3. Net Position/Fund Balances

Net Position – Net position in government-wide financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through state statute.

Fund Balances – In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Nonspendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Committed Fund Balance – Portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Authority's governing body (highest level of decision-making authority). Any changes or removal of specific purpose requires majority action by the governing body.

(Continued)

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
Maryville, Tennessee  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**E. Assets, Liabilities and Fund Equity (Continued)**

3. Net Position/Fund Balances (Continued)

Assigned Fund Balance – the portion of fund balance that the Authority intends to use for specific purposes.

Unassigned Fund Balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

**F. Revenues, Expenditures, and Expenses**

**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.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character	Current (further classified by function)
	Debt Service
	Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

**G. 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 of 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 of resources, deferred inflows of resources, outflows of resources, or inflows of resources. Since this Statement closely correlates to Statement No. 63, the Authority has elected to early implement the provisions of this statement.

(Continued)

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
Maryville, Tennessee  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2014

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**H. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources on the authority-wide financial statements. Net positions are classified in the following categories:

*Net investment in capital assets* – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

*Restricted net position* – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

*Unrestricted net position* – This amount is the net position that does not meet the definition of *net investment in capital assets* or *restricted net position*.

**I. 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.

**NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

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

**A. FUND ACCOUNTING REQUIREMENTS**

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

**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 EQUITY RESTRICTIONS**

**Deficit Prohibition**

State of Tennessee Statutes prohibits the creation of a deficit fund balance in any individual fund. The Authority complied with this statute in all material respects for the year ended June 30, 2014.

(Continued)

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
 Maryville, Tennessee  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2014

**NOTE 4 – CASH:**

Total cash with a carrying value of \$69,805 at June 30, 2014, is summarized as follows:

Type	<u>Amount</u>
Local financial institutions:	
Checking accounts (Varies) .....	<u>\$ 69,805</u>

As of June 30, 2014, total cash on deposit includes deposits insured up to \$250,000 by either the Federal Deposit Insurance Corporation, the Mutual Guaranty Corporation, or by the Tennessee Bank Collateral Pool.

**NOTE 5 – RISK FINANCING ACTIVITIES:**

It is the policy of the Authority to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker’s compensation, and employee health and accident.

**NOTE 6 – DEBT:**

On July 6, 2012, the Smoky Mountain Tourism Development Authority purchased land adjacent to the Smoky Mountain Visitors Center in Townsend, Tennessee from the county. The purchase price of the land was determined by the outstanding balance on the note that the county had issued in June 2009 to finance its purchase of the land. The Tourism Authority borrowed \$923,258 from First Tennessee Bank to finance the acquisition of the land. Monthly payments are \$8,575 through April 2016 including interest at 2.182%:

Year ending <u>June 30,</u>	
2015	<u>\$ 19,687</u>

(Continued)

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
Maryville, Tennessee  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014

**NOTE 7 – CAPITAL ASSETS:**

A summary of capital assets and depreciation is as follows:

	<u>Balance 6/30/13</u>	<u>Current Additions</u>	<u>Current Retirements/ Reclassifications</u>	<u>Balance 6/30/14</u>
<u>Capital Assets, non-depreciable:</u>				
Land and land rights	\$ 769,946	\$ -	\$ -	\$ 769,946
<u>Depreciable Capital Assets:</u>				
Buildings	<u>153,313</u>	<u>178,775</u>	<u>-</u>	<u>332,088</u>
Total Capital Assets	923,259	178,775	-	1,102,034
Less Accumulated Depreciation	<u>(3,102)</u>	<u>(10,176)</u>	<u>-</u>	<u>(13,278)</u>
Net Capital Assets	<u>\$ 920,157</u>	<u>\$ 168,599</u>	<u>\$ -</u>	<u>\$ 1,088,756</u>

**NOTE 8 – SUBSEQUENT EVENTS:**

The date to which events occurring after June 30, 2014, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is December 16, 2014 which is the date on which the financial statements were issued.

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
Maryville, Tennessee

**SUPPLEMENTAL SCHEDULES**

June 30, 2014

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
Maryville, Tennessee  
**GENERAL FUND**  
**SCHEDULE OF REVENUES AND EXPENDITURES -**  
**COMPARED TO BUDGET**  
June 30, 2014

	<u>Budget</u>		<u>Actual</u>	Variance - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Blount County – Hotel/Motel tax collected.....	\$ 1,828,336	\$ 1,828,336	\$ 2,010,049	\$ 181,713
Miscellaneous income.....	<u>-</u>	<u>-</u>	<u>45,969</u>	<u>45,969</u>
Total Appropriations .....	<u>1,828,336</u>	<u>1,828,336</u>	<u>2,056,018</u>	<u>227,682</u>
<b>EXPENDITURES:</b>				
Tax split:				
Blount County Clerk – 2% .....	36,566	40,225	40,201	24
Blount County – 30% .....	548,486	591,305	590,954	351
Trustee – 1% .....	18,284	19,711	13,789	5,922
General marketing.....	423,000	541,300	523,678	17,622
General events.....	6,000	7,800	7,369	431
Highland games .....	12,000	27,700	25,673	2,027
Mailings.....	20,000	11,900	10,219	1,681
Computer equipment.....	5,000	7,150	6,134	1,016
TVC – maintenance/supplies/ utilities .....	60,000	59,300	54,757	4,543
VC Maryville – office expense.....	38,000	38,100	38,092	8
Equipment .....	7,000	5,200	5,055	145
Legal/legislation.....	13,000	23,500	17,542	5,958
Insurance .....	-	4,798	4,798	-
Accounting/audit.....	10,000	6,400	6,059	341
Public notice.....	2,000	250	232	18
Subscriptions and memberships .....	4,000	6,200	5,569	631
Administration .....	360,000	373,500	369,338	4,162
Contract services .....	24,000	29,950	29,805	145
Interest expense.....	-	3,800	3,750	50
Training .....	11,000	2,350	1,851	499
Capital outlay .....	-	178,775	178,775	-
Retirement of bank notes .....	<u>-</u>	<u>260,893</u>	<u>260,893</u>	<u>-</u>
Total Expenditures .....	<u>1,598,336</u>	<u>2,240,107</u>	<u>2,194,533</u>	<u>45,574</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES.....</b>	<u>\$ 230,000</u>	<u>\$ (411,771)</u>	<u>\$ (138,515)</u>	<u>\$ 273,256</u>

See accompanying independent auditors' report and notes.

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
Maryville, Tennessee  
**GENERAL FUND**  
**SCHEDULE OF CHANGES IN FUND BALANCE**  
June 30, 2014

FUND BALANCE June 30, 2013.....	\$ 562,999
LESS: Excess of Expenditures Over Revenues.....	<u>(138,515)</u>
FUND BALANCE – June 30, 2014.....	<u>\$ 424,484</u>

See accompanying independent auditors' report and notes.

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
Maryville, Tennessee  
**CAPTIAL ASSETS USED IN GOVERNMENTAL ACTIVITIES**  
**SCHEDULE OF GENERAL CAPITAL ASSETS**  
June 30, 2014

Depreciable Capital Assets:	
Buildings.....	<u>\$ 332,088</u>
 Investment in Capital Assets .....	 <u>\$ 1,069,069</u>

See accompanying independent auditors' report and notes.

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
Maryville, Tennessee  
**SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTION**  
June 30, 2014

	Capital Assets			Accumulated Depreciation				Net Book Value	
	Balance <u>6/30/13</u>	Current Additions	Current Retirements/ Reclassifications	Balance <u>6/30/14</u>	Balance <u>6/30/13</u>	Current Additions	Current Retirements		Balance <u>6/30/14</u>
Administration .....	<u>\$ 923,259</u>	<u>\$ 178,775</u>	<u>\$ -</u>	<u>\$ 1,102,034</u>	<u>\$ 3,102</u>	<u>\$ 10,176</u>	<u>\$ -</u>	<u>\$ 13,278</u>	<u>\$1,088,756</u>

Current additions are reflected as expenditures in the financial statements as follows:

General Fund ..... \$ 178,775

See accompanying independent auditors' report and notes.

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
 Maryville, Tennessee  
**SCHEDULE OF INSURANCE IN FORCE**  
 June 30, 2014

<u>Type</u>	<u>Company</u>	<u>Policy No.</u>	<u>Period</u>		<u>Coverage</u>
			<u>From</u>	<u>To</u>	
Comprehensive General Liability Insurance	The Selective Insurance Company	S2031413	06-29-13	06-29-14	Comprehensive General Liability Insurance Bodily Injury and Property Damage Combined: Coverage: General total limit                     \$2,000,000 Products limit                             \$2,000,000 Personal injury                           \$1,000,000 Each occurrence                         \$1,000,000 Fire damage                               \$ 100,000 Medical expense                         \$ 15,000 Property                                   \$ 750,000

**SMOKY MOUNTAIN TOURISM DEVELOPMENT AUTHORITY**  
Maryville, Tennessee

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLAINEE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

June 30, 2014



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  
Smoky Mountain Tourism Development Authority  
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 Smoky Mountain Tourism Development Authority, for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Smoky Mountain Tourism Development Authority basic financial statements and have issued our report thereon dated December 16, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Smoky Mountain Tourism Development Authority'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 Smoky Mountain Tourism Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Smoky Mountain Tourism Development Authority'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. 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 Smoky Mountain Tourism Development Authority'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 16, 2014