

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

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2014

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
Financial Statements and Supplementary Information
Year Ended June 30, 2014

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**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
Year Ended June 30, 2014

OFFICERS AND BOARD MEMBERS

Officers

Bryan T. Daniels
Bruce Kerr

President and CEO
Director of Accounting and HR

Board Members

Chuck Alexander
Joe Dawson
Gary Hensley

Chairman
Vice Chairman
Secretary Treasurer

Other Board Members

Fred Lawson
David Black
Ed Mitchell
Greg McClain

Matthew Murray
Monica Gawet
Mark Johnson
Bryan T. Daniels (non-voting member)

Ex-Officio Members

Robert Goddard
Dave Bennett

Board Attorney
Chamber of Commerce Chairman



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

428 Marilyn Lane
Alcoa, Tennessee 37701

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee (the "Board") as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which comprise the Board's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Board as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee's basic financial statements. The supplemental schedules on pages 24 through 29 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

The schedule of expenditures of federal awards on page 30 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2014, on our consideration of the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee's internal control over financial reporting and compliance.

Ingram, Overholt & Bean, PC

Alcoa, Tennessee
December 17, 2014

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

Year Ended June 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee's ("the Board") financial performance provides an overview of the Board's activities for the year ended in June 30, 2014. Please read it in conjunction with the Board's financial statements as described in the Table of Contents.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the Board as a whole and present a long-term view of the Board's finances.

The Statement of Net Position and Statement of Activities

One of the most important questions asked about the Board's finances is "is the Industrial Development Board better off or worse as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the Board and about its activities that help answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by the most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of whether cash was received or paid.

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

FINANCIAL HIGHLIGHTS

The operations of the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee are primarily funded as follows.

	<u>2014</u>	<u>2013</u>
Intergovernmental	\$ 1,505,659	\$ 1,480,827
Grant revenues	3,370,560	94,434
Rental revenue	122,010	62,930
Miscellaneous	52,420	5,424
Interest income	5,862	16,924
Loss on sale of assets	<u>-</u>	<u>(66,286)</u>
Total funding	<u>\$ 5,056,511</u>	<u>\$ 1,594,253</u>

(Continued)

NET POSITION

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

	<u>2014</u>	<u>2013</u>
Current assets	\$ 2,378,918	\$ 3,041,417
Other assets	677,144	728,420
Capital assets, net of depreciation	<u>71,672,170</u>	<u>70,375,844</u>
Total Assets	<u>74,728,232</u>	<u>74,145,681</u>
Current liabilities	896,494	766,658
Long-term liabilities	<u>27,584,753</u>	<u>26,714,437</u>
Total Liabilities	<u>28,481,247</u>	<u>27,481,095</u>
Net Position:		
Net investment in capital assets	51,708,980	50,325,319
Unrestricted (deficit)	<u>(5,461,995)</u>	<u>(3,660,733)</u>
Total Net Position	<u>\$ 46,246,985</u>	<u>\$ 46,664,586</u>
Total Revenues	\$ 5,056,511	\$ 1,594,253
Total Expenses	<u>5,474,112</u>	<u>3,114,881</u>
Change in Net Position	<u>\$ (417,601)</u>	<u>\$ (1,520,628)</u>

Current assets experienced a net decrease of \$662,499 as of June 30, 2014, compared to June 30, 2013. The decrease is a result of the Board using additional funds in the current fiscal year to fund operations.

Capital assets increased \$1,296,326 as of June 30, 2014, compared to June 30, 2013, primarily due to costs associated with capital projects during the year.

Current liabilities increased \$129,836 as of June 30, 2014, compared to June 30, 2013, primarily due to the increase in payables.

Long-term liabilities increased \$870,316 as of June 30, 2014, compared to June 30, 2013, primarily due to accrued interest.

Net position decreased \$417,601 as of June 30, 2014, compared to June 30, 2013. The decrease is primarily due to the expenses associated with the recording of the accrued interest expense decreasing restricted net position.

CAPITAL ASSETS

At the fiscal year ended June 30, 2014, the Industrial Development Board had \$71,672,170 invested in capital assets, net of accumulated depreciation as outlined below, a 1.8% increase over last year, mainly due to an increase in construction in progress in the current fiscal year as a result of on-going capital projects.

	<u>2014</u>	<u>2013</u>
Land	\$ 39,542,362	\$ 39,542,362
Buildings and improvements	31,647,897	31,647,897
Construction in process	3,978,472	1,778,805
Vehicles	-	68,446
Equipment	-	13,164
Furniture, fixtures and equipment	-	213,664
Signs	<u>45,018</u>	<u>51,843</u>
Total capital assets	75,213,749	73,316,181
Less: accumulated depreciation	<u>(3,541,579)</u>	<u>(2,940,337)</u>
Capital assets, net of depreciation	<u>\$ 71,672,170</u>	<u>\$ 70,375,844</u>

(Continued)

CAPITAL ASSETS (Continued)

Capital assets increased \$1,296,326 as of June 30, 2014, compared to June 30, 2013, primarily due to costs associated with capital projects during the year less depreciation expense recorded on fixed assets during the year.

NOTES PAYABLE

At the fiscal year ended June 30, 2014, the Board had the following notes payable:

	<u>2014</u>	<u>2013</u>
Maryville, Tennessee	\$ 5,022,374	\$ 5,022,374
Knox County, Tennessee	5,000,000	5,000,000
Blount County, Tennessee	4,870,551	4,870,551
Alcoa, Tennessee	4,691,301	4,691,301
First Tennessee	378,964	402,301
Regions Bank	-	39,160
GMAC	-	<u>24,838</u>
Total notes payable	<u>\$ 19,963,190</u>	<u>\$ 20,050,525</u>

Notes payable decreased by \$87,335 as of June 30, 2014, compared to June 30, 2013. The decrease is due to the payment on notes payable during the fiscal year.

BUDGETS

The variances between the originally adopted budget for the fiscal year ended June 30, 2014, and the final budget were caused by additional outlay for projects within the industrial parks and additional funding provided through the agreements with Blount County, City of Maryville and City of Alcoa to fund operations. Other categories were amended as deemed necessary by the Board of Directors.

CONTACTING THE INDUSTRIAL DEVELOPMENT BOARD'S FINANCIAL MANAGEMENT

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

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities		
	General	Sales Development	Total
ASSETS			
Current Assets			
Cash	\$ 529,394	\$ 1,224,136	\$ 1,753,530
Receivables			
Accounts receivable	-	560,828	560,828
Grant receivable	-	18,545	18,545
Lease payments receivable, current portion	-	46,015	46,015
Total Current Assets	529,394	1,849,524	2,378,918
Noncurrent Assets			
Capital Assets			
Nondepreciable assets	-	41,321,167	41,321,167
Depreciable assets, net	-	30,351,003	30,351,003
Net Capital Assets	-	71,672,170	71,672,170
Other Assets			
Accounts receivable			
Lease payments receivable, net of current portion	-	656,360	656,360
Other assets	-	20,784	20,784
Total Other Assets	-	677,144	677,144
Total Noncurrent Assets	-	72,349,314	72,349,314
Total Assets	529,394	71,198,838	74,728,232
Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	529,394	74,198,838	74,728,232

See accompanying independent auditors' report and notes.

(Continued)

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
STATEMENT OF NET POSITION (Continued)
June 30, 2014

	Governmental Activities		
	General	Sales Development	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Current Liabilities			
Accounts payable and accrued expenses	-	228,596	228,596
Due to Blount County, Tennessee	-	580,285	580,285
Lease payments, current portion	-	64,560	64,560
Notes payable, due within one year	-	23,053	23,053
	-	896,494	896,494
Total Current Liabilities			
Non-current Liabilities			
Lease payments, long-term portion	-	656,360	656,360
Accrued interest	-	6,988,256	6,988,256
Notes payable, due after one year	-	19,940,137	19,940,137
	-	27,584,753	27,584,753
Total Noncurrent Liabilities			
	-	28,481,247	28,481,247
Total Liabilities			
	-	-	-
Deferred Inflows of Resources			
NET POSITION			
Net investment in capital assets	-	51,708,980	51,708,980
Unrestricted (deficit)	529,394	(5,991,389)	(5,461,995)
	529,394	45,717,591	46,246,985
Total Net Position			
	\$ 529,394	\$ 45,717,591	\$ 46,246,985

See accompanying independent auditors' report and notes.

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue (Expense) and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities	\$5,474,112	\$ -	\$ 3,370,560	\$ (2,103,552)
Total Government	<u>\$5,474,112</u>	<u>\$ -</u>	<u>\$ 3,370,560</u>	<u>\$ (2,103,552)</u>
General Revenue:				
Intergovernmental receipts.....				1,505,659
Rent.....				122,010
Interest income.....				5,862
Miscellaneous revenue.....				<u>52,420</u>
Total General Revenues.....				<u>1,685,951</u>
Change in Net Position				(417,601)
Net Position at the Beginning of the Year				<u>46,664,586</u>
Net Position at the End of the Year				<u>\$ 46,246,985</u>

See accompanying independent auditors' report and notes.

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2014

	<u>General</u>	<u>Sales Development</u>	<u>Total</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets			
Cash and cash equivalents	\$ 529,394	\$ 1,224,136	\$ 1,753,530
Accounts receivable	<u>-</u>	<u>560,828</u>	<u>560,828</u>
Total Current Assets	-	1,784,964	2,314,358
Other assets	-	20,784	20,784
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 529,394</u>	<u>\$ 1,805,748</u>	<u>\$ 2,335,142</u>
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Current Liabilities			
Accounts payable and accrued expenses	\$ -	\$ 228,596	\$ 228,596
Due to primary government	<u>-</u>	<u>580,285</u>	<u>580,285</u>
Total Current Liabilities	<u>-</u>	<u>808,881</u>	<u>808,881</u>
Non-current Liabilities			
Accrued interest	<u>-</u>	<u>6,988,256</u>	<u>6,988,256</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Unassigned (deficit)	<u>529,394</u>	<u>(5,991,389)</u>	<u>(5,461,995)</u>
Total Fund Balances	<u>529,394</u>	<u>(5,991,389)</u>	<u>(5,461,995)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 529,394</u>	<u>\$ 1,805,748</u>	<u>\$ 2,335,142</u>

See accompanying independent auditors' report and notes.

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2014

Total Fund Balances – Government Funds (deficit)	\$ (5,461,995)
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds balance sheet. In the statement of net position, the cost of capital assets are reflected net of accumulated depreciation. The cost of capital assets is \$75,213,749 and accumulated depreciation is \$3,541,579 as of June 30, 2014.	71,672,170
Notes payable are not financial obligations of the current period and therefore are not reported as liabilities in the governmental funds balance sheet. In the statement of net position, the liability for notes payable are reflected.	<u>(19,963,190)</u>
Total Net Position – Governmental Activities	<u>\$ 46,246,985</u>

See accompanying independent auditors' report and notes.

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	<u>General</u>	<u>Sales Development</u>	<u>Total</u>
REVENUES			
Intergovernmental	\$ 722,943	\$ 782,716	\$ 1,505,659
Grant revenues	-	3,370,560	3,370,560
Interest earned	5,862	-	5,862
Rent	-	122,010	122,010
Other	49,420	3,000	52,420
Note Proceeds	<u>-</u>	<u>28,218</u>	<u>28,218</u>
 Total Revenues	 <u>778,225</u>	 <u>4,306,504</u>	 <u>5,084,729</u>
EXPENDITURES			
Current	841,338	2,735,059	3,576,397
Capital outlay	-	2,250,709	2,250,709
Debt Service			
Principal	-	74,104	74,104
Interest	<u>-</u>	<u>984,781</u>	<u>984,781</u>
 Total Expenditures	 <u>841,338</u>	 <u>6,044,653</u>	 <u>6,885,991</u>
 Excess of Revenue Over Expenditures	 (63,113)	 (1,738,149)	 (1,801,262)
 Fund Balances, at the Beginning of the Year (deficit)	 <u>592,507</u>	 <u>(4,253,240)</u>	 <u>(3,660,733)</u>
 Fund Balances, at the End of the Year (deficit)	 <u>\$ 529,394</u>	 <u>\$ (5,991,389)</u>	 <u>\$ (5,461,995)</u>

See accompanying independent auditors' report and notes.

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**
June 30, 2014

Changes in Fund Balances – Governmental Funds \$ (1,801,262)

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets in excess of the Board’s capitalization policy and reported over their useful lives as depreciation expense.

Current Year Capital Outlay Capitalized	2,250,709
Current Year Depreciation Expense on Capitalized Assets	(839,675)
Miscellaneous adjustment – Transfer of Assets/Liabilities to Partnership	(73,259)

Governmental funds report long-term debt borrowings as revenue and principal payments on long-term debt as expenditures. However, in the statement of activities the payments are reflected as a reduction in the liability for long-term debt.

Note Proceeds	(28,218)
Current Year Principal Payments Shown as Expenditures	<u>74,104</u>

Change in Net Position – Government Activities \$ (417,601)

See accompanying independent auditors’ report and notes.

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee (the “Board”) complies with accounting principles generally accepted in the United States of America (“GAAP”). GAAP includes all relevant Governmental Accounting Standards Boards (“GASB”) pronouncements. The accounting and reporting framework and the significant accounting policies are discussed in subsections of the notes to the financial statements.

Financial Reporting Entity – The Board, chartered as a Tennessee corporation, is a joint partnership between the Industrial Development Board of Blount County, City of Maryville, and the City of Alcoa. The purpose of the Board is the construction, acquiring, improving, repairing, renovation, extending, equipping, furnishing, operating, maintaining and managing current and future projects and the ability to borrow funds for the purpose of such projects to further promote business in Blount County.

Basis of Presentation

Government-Wide Financial Statements – The Statement of Net position and Statement of Revenues, Expenses, and Change in Net Position displays information about the Board as a whole. They include all funds of the Board except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business type activities would be financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements – Fund financial statements of the Board are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Board or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of the category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.
- c. Any fund that government officials believe is important is classified as major funds by the Board.

The funds of the Board are described below.

Governmental Fund

General Fund – The General Fund is the primary operating fund of the Board and always classified as major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

(Continued)

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major Funds

The following funds are classified as major funds:

General – The fund accounts for all activities except those legally or administratively required to be accounted for in other funds.

Sales Development Fund – The fund is funded by excess operating funds, sales of property improvements and monies invested. The fund is restricted to expenditures for improvement of physical structures.

Measurement Focus and Basis of Accounting - Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus.

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

When both restricted and unrestricted resources are available for use, the policy is to use restricted resources first and unrestricted as they are needed.

Basis of Accounting

In the government-wide Statement of Net position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is uncured, except for general obligation bond principal and interest which are reported when due.

Assets, Liabilities, and Equity

Cash and Cash Equivalents – For the purpose of the Statement of Net position, cash includes all demand, savings accounts, and certificates of deposit of the Board.

(Continued)

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Equity (Continued)

Receivables – In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivables balances for the governmental activities include amounts due from the State of Tennessee. In the financial statements, material receivables in governmental funds include intergovernmental revenues with a corresponding amount recorded as deferred revenue since they are measurable but not available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual but not deferred in the government-wide financial statements in accordance with the accrual basis. There were no non-exchange transactions as of June 30, 2014. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. This range of estimated useful lives by type of assets is as follows:

Buildings	40 years
Improvements	15 years
Furniture, fixtures, equipment and signs	5 – 15 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – consists of net position with constraints placed on the use wither by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – all other net position that do not meet the definition of “restricted” or “invested in capital assets, net or related debt.”

(Continued)

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The categories of fund balances are explained below:

Restricted fund balances – have constraints imposed by grantors, creditors, contributors, laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

Unassigned fund balance – Any residual fund balance remaining after all of the other categories of fund balance have been determined is categorized as unassigned fund balance.

Revenues and Expenses

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

Expenditures/Expenses

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

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

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

Budgetary Accounting - The Board's Board of Directors adopts an Operating Fund annual budget, which provides the basis for control of financial operations during the fiscal year. The same basis of accounting is used to reflect actual revenues and expenditures. All unencumbered budget appropriations lapse at the end of the fiscal year. The budgetary level of control is each major fund. Management can make budget revisions within each major fund, but only the Board of Directors may transfer appropriations between major funds.

Concentration of Risk – Financial instruments that potentially subject the Board to concentrations of credit risk consist primarily of cash in financial institutions. Insurance coverage of \$250,000 per depositor at each financial institution, and the Board's cash balances may exceed federally insured limits.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

(Continued)

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

Notes to Financial Statements (Continued)

June 30, 2014

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

Fund Accounting Requirements – The Board complies with all state and local laws and regulations requiring the use of separate funds. There are not legally required funds used by the Industrial Development Board.

Deposits and Investments Laws Regulations – In accordance with state law, all deposits of governmental monies in financial institutions must be federally insured or secured with acceptable collateral.

Fund Equity Restrictions

Deficit Prohibition

State of Tennessee Statutes prohibits a deficit fund balance in any individual fund. At June 30, 2014, the Board had a deficit balance within its Sales Development fund. This deficit is a result of the recording of interest expense on debt owed to other government agencies related to the Pellissippi Place project.

NOTE 3 – CASH AND CASH EQUIVALENTS

In accordance with the Board of Directors’ approval, the Board maintains a checking account to handle the day-to-day operations. Savings accounts, certificates of deposit, and investments are authorized by the Board of Directors for restricted funds, and excess funds of the Board are placed in insured accounts.

Investments are carried at fair value.

Cash and investments include bank balances and investments that as of June 30, 2014, were either entirely insured or collateralized with securities held by the Tennessee Investment Collateral Pool.

The Board maintains a cash pool that is available for use by all funds. Each fund type’s portion of this pool is displayed on the Statement of Net Position as “Cash.”

The carrying amount of the Board’s cash deposits at June 30, 2014, is summarized as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Carrying Amount</u>
Checking account:			
First Tennessee	0.59%	N/A	\$ 1,678,872
Capital Bank	0.10%	N/A	23,105
BB&T	0.01%	N/A	<u>51,553</u>
Total cash			<u>\$ 1,753,530</u>

(Continued)

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

Notes to Financial Statements (Continued)

June 30, 2014

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance at <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transferred to Partnership</u>	Balance at <u>June 30, 2014</u>
Nondepreciable assets:					
Land	\$ 39,542,362	\$ -	\$ -	\$ -	\$ 39,542,362
Construction in progress	<u>1,778,805</u>	<u>2,199,667</u>	-	-	<u>3,978,472</u>
Total nondepreciable assets	<u>41,321,167</u>	<u>2,199,667</u>	-	-	<u>43,520,834</u>
Depreciable assets:					
Buildings and improvements	31,647,897	-	-	-	31,647,897
Furniture, fixtures & equipment	213,664	3,822	-	(217,486)	-
Signs	51,843	-	-	(6,825)	45,018
Equipment	13,164	19,000	-	(32,164)	-
Vehicles	<u>68,446</u>	<u>28,218</u>	-	<u>(96,664)</u>	<u>-</u>
Total depreciable assets	<u>31,995,014</u>	<u>51,040</u>	-	<u>(353,139)</u>	<u>31,692,915</u>
Total assets at historical cost	<u>73,316,181</u>	<u>2,250,707</u>	-	<u>(353,139)</u>	<u>75,213,749</u>
Less: accumulated depreciation					
Buildings and improvements	(2,699,156)	(811,524)	-	-	(3,510,680)
Furniture, fixtures & equipment	(178,456)	(13,599)	-	192,055	-
Signs	(28,544)	(3,189)	-	834	(30,899)
Equipment	(81)	(3,708)	-	3,789	-
Vehicles	<u>(34,100)</u>	<u>(7,655)</u>	-	<u>41,755</u>	<u>-</u>
Total accumulated depreciation	<u>(2,940,337)</u>	<u>(839,675)</u>	-	<u>238,433</u>	<u>(3,541,579)</u>
Governmental Activities Capital assets, net	<u>\$ 70,375,844</u>	<u>\$ 1,411,032</u>	<u>\$ -</u>	<u>\$ (114,706)</u>	<u>\$ 71,672,170</u>

NOTE 5 – NOTES PAYABLE

Notes Payable consists of the following notes:

Note payable to City of Maryville, Tennessee in the amount of \$5,022,374 with interest at 5%, payable semi-annually. Principal to be repaid as land is sold in the Research and Development Park	\$ 5,022,374
Note payable to Knox County, Tennessee in the amount of \$5,000,000 with interest at 5%, payable semi-annually. Principal to be repaid as land is sold in the Research and Development Park	5,000,000
Note payable to Blount County, Tennessee in the amount of \$4,870,551 with interest at 5%, payable semi-annually. Principal to be repaid as land is sold in the Research and Development Park	4,870,551

(Continued)

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

Notes to Financial Statements (Continued)

June 30, 2014

NOTE 5 – NOTES PAYABLE (Continued)

Notes Payable consists of the following notes (Continued):

Note payable to Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee in the amount of \$4,691,301 with interest at 5%, payable semi-annually. Principal to be repaid as land is sold in the Research and Development Park	4,691,301
Note payable to First Tennessee Bank with interest at 4.5%, payments due monthly of \$3,285, including interest, maturing December 2016, collateralized by property	<u>378,964</u>
	19,963,190
Less: amounts due within one year	<u>(23,053)</u>
Amounts due after one year	<u>\$ 19,940,137</u>

Changes in notes payable (including current portions) for the year ended June 30, 2014 were as follows:

	<u>Balance at July 1, 2013</u>	<u>Issued During Fiscal Year</u>	<u>Debt Retired</u>	<u>Debt Transferred To Partnership</u>	<u>Balance at June 30, 2014</u>
Notes Payable	<u>\$ 20,050,525</u>	<u>\$ 28,218</u>	<u>\$ (74,104)</u>	<u>\$ (41,449)</u>	<u>\$ 19,963,190</u>

Future debt service requirements as of June 30, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total</u>
2015	\$ 23,053	\$ 995,581	\$ 1,018,634
2016	24,112	994,522	1,018,634
2017	331,799	987,876	1,319,675
2018	-	979,211	979,211
2019	-	979,211	979,211
2020-2023	-	4,896,055	4,896,055
2025-2029	-	4,896,055	4,896,055
2030-2034	-	4,896,055	4,896,055
2035-2039	-	4,896,055	4,896,055
2040-2044	-	4,896,055	4,896,055
2045-2049	-	4,896,055	4,896,055
2050-2054	-	4,896,055	4,896,055
2055-2056	19,584,226	1,958,422	21,542,648
	<u>\$ 19,963,190</u>	<u>\$ 41,167,208</u>	<u>\$ 61,130,398</u>

(Continued)

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

Notes to Financial Statements (Continued)

June 30, 2014

NOTE 6 – CONDUIT DEBT

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

Per an agreement dated December 13, 2006 between the Board, Maryville College, City of Alcoa, and the City of Maryville, the first \$18,000,000 of principal and interest payments are to be made by Maryville College. The remaining principal and interest amounts are to be paid over the remaining life of the bond by the Cities of Alcoa and Maryville as defined in the agreements.

NOTE 7 – FUND BALANCES

Following is schedule of fund balances as of June 30, 2014:

General Fund:	
Unassigned	\$ 529,394
Sales Development Fund	
Unassigned (deficit)	<u>(5,991,389)</u>
Total Unassigned (deficit)	<u>\$ (5,461,995)</u>

NOTE 8 – RISK FINANCING ACTIVITIES

It is the policy of the Board to purchase commercial insurance for the risks of losses to which it is exposed. These risks include property and casualty. Settled claims, if any, have not exceeded this commercial coverage in any of the past four fiscal years.

NOTE 9 – CAPITAL LEASES

To induce certain businesses to relocate to Blount County, the Board enters into lease/financing arrangements. The Board finances construction of facilities to the specification of the tenant and then enters into a capital lease arrangement. At the conclusion of the lease, the real property is transferred to the tenant.

The Board has entered into the following leases:

Lease with DCS Electronics, Inc. beginning May 1, 2002 calling for a lease payment sufficient for the Board to recover its cost plus interest at 1% over the Board's financing rate. On February 1, 2010, there was a change in the interest rate on the agreement resulting in future monthly payments of \$5,380 over the remaining term of the lease.

Balance remaining on lease	\$ 720,920
Less: current portion	<u>(64,560)</u>
Amount receivable after one year	<u>\$ 656,360</u>

(Continued)

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

Notes to Financial Statements (Continued)

June 30, 2014

NOTE 9 – CAPITAL LEASES (Continued)

Future minimum lease payments receivable as of June 30, 2014 are as follows:

2015	\$ 64,560
2016	64,560
2017	64,560
2018	64,560
2019	64,560
2020-2024	322,800
2025-2026	<u>75,320</u>
	<u>\$ 720,920</u>

NOTE 10 – INTERGOVERNMENTAL COOPERATION AGREEMENT

In May 2006, the Board entered into an intergovernmental cooperation agreement with Blount County, Tennessee, the City of Maryville, Tennessee, the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee and Knox County, Tennessee. The agreement calls for the acquisition of property to be developed into a Research and Development Park. The purchase price and subsequent development costs are to be funded by loans from the four participating municipalities to the Board in the amount of \$5,000,000 each. These loans are to be repaid with interest at 5% from sales proceeds. The four municipalities will share excess sales proceeds and property tax revenues equally.

Principal owed by the Board to all four municipalities from future sales proceeds as of June 30, 2014:

City of Maryville	\$ 5,022,374
Knox County	5,000,000
Blount County	4,870,551
City of Alcoa	<u>4,691,301</u>
Total	<u>\$19,584,226</u>

NOTE 11 – REAL ESTATE TRANSACTION

In March 2007, the Board purchased real estate from Blount County and then immediately sold the property to Event Management Company, LLC. The Board sold the property under an installment note for \$820,000. Proceeds from the sale are to be paid back to Blount County (the "County") within ten days of receipt. The agreement was amended on January 3, 2011, and the payments due to the Board include three annual payments of \$25,000 beginning in December 2010 and a final payment of \$563,929 was originally scheduled for September 2013, but under the terms of the installment note has been extended to September 2014. The agreement with the County states the Board is only responsible for proceeds actually received by the Board. The amount payable to the County as of June 30, 2014 is \$538,579.

(Continued)

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

Notes to Financial Statements (Continued)

June 30, 2014

NOTE 12 – 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 or resources, deferred inflows of resources, outflows or resources, or inflows of resources. Since this Statement closely correlates to Statement No. 63, the Board has elected to early implement the provisions of this statement.

NOTE 13 – 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 17, 2014, which is the date on which the financial statements were issued.

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

June 30, 2014

SUPPLEMENTARY INFORMATION

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
SCHEDULE OF BUDGETARY COMPARISON – GENERAL FUND
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Intergovernmental Revenues				
Blount County	\$ 361,471	\$ 361,471	\$ 361,471	\$ -
City of Alcoa	180,736	180,736	180,736	-
City of Maryville	180,736	180,736	180,736	-
Interest	-	-	5,862	5,862
Miscellaneous	-	-	2	2
FTZ receipts	-	45,300	45,300	-
Community Dues	-	-	<u>4,118</u>	<u>4,118</u>
Total revenues	<u>722,943</u>	<u>768,243</u>	<u>778,225</u>	<u>9,982</u>
Expenditures				
Marketing				
Internet	62,000	70,350	69,854	496
Printed materials	12,500	33,500	32,815	685
UK marketing	15,000	18,250	18,227	23
Prospect development	57,000	96,250	95,695	555
Site selector visits	17,500	23,500	21,673	1,827
Office Operations				
Office supplies	2,000	2,000	1,197	803
Postage	3,000	500	370	130
Telephone	8,500	8,100	7,544	556
Equipment purchases	6,500	6,500	1,400	5,100
Office rent	43,230	43,230	43,226	4
Dues and subscriptions	4,000	13,950	12,972	978
Audit	14,020	11,020	10,935	85
Accounting	7,000	1,000	550	450
Computer operations	6,000	6,000	5,775	225
Legal	10,818	13,518	13,472	46
Administrative				
Blount County staff	360,000	366,000	365,542	458
Japan staff	32,782	32	-	32
Transportation	6,000	15,200	14,284	916
Staff training	6,000	6,000	5,816	184
Recruiting trip	20,000	44,000	41,791	2,209
Miscellaneous	-	350	-	350
European Staff	40,000	35,000	32,900	2,100
FTZ Disbursements	-	<u>45,300</u>	<u>45,300</u>	-
Total expenditures	<u>733,850</u>	<u>859,550</u>	<u>841,338</u>	<u>18,212</u>
Net change in fund balance	(10,907)	(91,307)	(63,113)	28,194
Fund Balance, at the Beginning of the Year	<u>592,507</u>	<u>592,507</u>	<u>592,507</u>	-
Fund Balance, at the End of the Year	<u>\$ 581,600</u>	<u>\$ 501,200</u>	<u>\$ 529,394</u>	<u>\$ 28,194</u>

See accompanying independent auditors' report and notes.

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
SCHEDULE OF BUDGETARY COMPARISON –
SALES DEVELOPMENT FUND
Year Ended June 30, 2014

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
Revenues				
Intergovernmental Revenues				
Blount County	\$ 486,550	\$ 554,600	\$ 486,550	\$ (68,050)
City of Alcoa	239,416	239,416	239,416	-
City of Maryville	56,750	56,750	56,750	-
Grant revenue	-	3,554,032	3,370,560	(183,472)
Chamber funding	11,000	11,000	-	(11,000)
Rent	62,741	62,741	122,010	59,269
Miscellaneous	-	-	3,000	3,000
Total Revenues	<u>856,457</u>	<u>4,478,539</u>	<u>4,278,286</u>	<u>(200,253)</u>
Expenditures				
Current				
Administration and finance	55,560	27,860	13,525	14,335
Blount County Industrial Park	-	1,200	1,200	-
Stock Creek Development Center	49,000	71,520	65,760	5,760
Big Springs Park	21,000	19,800	10,311	9,489
Partnership Park North	12,000	5,000	-	5,000
Partnership Park South	28,000	31,200	63,654	(32,454)
Research and Development Park	-	128,600	124,667	3,933
Marriott Project	48,000	7,745	-	7,745
IV Inc (regional Tech Consult)	100,050	30,050	30,000	50
Tyson Center Airport Property Incentive Agreement	-	100,000	100,000	-
Industrial Park Insurance	3,000	3,000	1,169	1,831
Engineering	5,000	28,000	26,736	1,264
Legal	2,000	2,000	1,910	90
Inspection	15,000	-	-	-
Fuel	-	11,500	10,728	772
Training	50,000	75,000	75,000	-
Marketing	30,000	30,000	9,069	20,931
Alcoa, Inc. 2014 TN Pass Thru Grant	-	2,200,000	2,200,000	-
Mowing maintenance	-	1,600	1,330	270
Miscellaneous	1,000	50	-	50
Total Current Expenditures	<u>419,610</u>	<u>2,774,125</u>	<u>2,735,059</u>	<u>39,066</u>
Capital Outlay				
Construction in progress	745,000	2,487,949	2,199,668	288,281
Equipment	-	12,900	22,823	(9,923)
Vehicles	-	-	28,218	(28,218)
Total Capital Outlay	<u>745,000</u>	<u>2,500,849</u>	<u>2,250,709</u>	<u>250,140</u>

See accompanying independent auditors' report and notes.

(Continued)

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
SCHEDULE OF BUDGETARY COMPARISON –
SALES DEVELOPMENT FUND (CONTINUED)
Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
Expenditures				
Debt Service				
Retirement of debt	40,000	80,255	74,104	6,151
Interest expense	-	979,213	984,781	(5,568)
Total Debt Services	<u>40,000</u>	<u>1,059,468</u>	<u>1,058,885</u>	<u>583</u>
Total Expenditures	<u>1,204,610</u>	<u>6,334,442</u>	<u>6,044,653</u>	<u>289,789</u>
Excess revenues over (under) expenditures	(348,153)	(1,855,903)	(1,766,367)	89,536
Other Financing Sources				
Note Proceeds	-	-	28,218	28,218
Net change in fund balance	(348,153)	(1,855,903)	(1,738,149)	117,754
Fund Balance, at the Beginning of the Year (Deficit)	<u>(4,253,240)</u>	<u>(4,253,240)</u>	<u>(4,253,240)</u>	<u>-</u>
Fund Balance, at the End of the Year (Deficit)	<u>\$ (4,601,393)</u>	<u>\$ (6,109,143)</u>	<u>\$ (5,991,389)</u>	<u>\$ 117,754</u>

See accompanying independent auditors' report and notes.

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
SCHEDULE OF NOTE REQUIREMENTS BY FISCAL YEAR
June 30, 2014

Fiscal Year Ending June 30,	First Tennessee Bank DCS Project			Knox County Research and Development Park		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 23,053	\$ 16,370	\$ 39,423	\$ -	\$ 250,000	\$ 250,000
2016	24,112	15,311	39,423	-	250,000	250,000
2017	331,799	8,665	340,464	-	250,000	250,000
2018	-	-	-	-	250,000	250,000
2019	-	-	-	-	250,000	250,000
2020-2024	-	-	-	-	1,250,000	1,250,000
2025-2029	-	-	-	-	1,250,000	1,250,000
2030-2034	-	-	-	-	1,250,000	1,250,000
2035-2039	-	-	-	-	1,250,000	1,250,000
2040-2044	-	-	-	-	1,250,000	1,250,000
2045-2049	-	-	-	-	1,250,000	1,250,000
2050-2054	-	-	-	-	1,250,000	1,250,000
2055-2056	-	-	-	<u>5,000,000</u>	<u>500,000</u>	<u>5,500,000</u>
Totals	<u>\$ 378,964</u>	<u>\$ 40,346</u>	<u>\$ 419,310</u>	<u>\$5,000,000</u>	<u>\$10,500,000</u>	<u>\$15,500,000</u>

Blount County, Cities of Alcoa and Maryville
Research and Development Park

Fiscal Year Ending June 30,	Principal	Interest	Total
2015	\$ -	\$ 729,211	\$ 729,211
2016	-	729,211	729,211
2017	-	729,211	729,211
2018	-	729,211	729,211
2019	-	729,211	729,211
2020-2024	-	3,646,055	3,646,055
2025-2029	-	3,646,055	3,646,055
2030-2034	-	3,646,055	3,646,055
2035-2039	-	3,646,055	3,646,055
2040-2044	-	3,646,055	3,646,055
2045-2049	-	3,646,055	3,646,055
2050-2054	-	3,646,055	3,646,055
2055-2056	<u>14,584,226</u>	<u>1,458,422</u>	<u>16,042,648</u>
Totals	<u>\$ 14,584,226</u>	<u>\$30,626,862</u>	<u>\$45,211,088</u>

See accompanying independent auditors' report and notes.

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
SCHEDULE OF CAPITAL LEASE OBLIGATIONS BY FISCAL YEAR
June 30, 2014

Fiscal Year <u>Ending June 30,</u>	DCS Electronics <u>Inc.</u>
2015	\$ 64,560
2016	64,560
2017	64,560
2018	64,560
2019	64,560
2020	64,560
2021	64,560
2022	64,560
2023	64,560
2024	64,560
2025	64,560
2026	<u>10,760</u>
Totals	<u>\$ 720,920</u>

See accompanying independent auditors' report and notes.

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2014

<u>Program Name</u>	<u>State Agency</u>	<u>State Contract Number</u>	<u>(Receivable) Deferred</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>(Receivable) Deferred</u>
Fasttrack Infrastructure Development	TN Dept. of Economics and Community Development	33006-12914	\$ -	\$ 2,200,000	\$ 2,200,000	\$ -
Fasttrack Infrastructure Development	TN Dept. of Economics and Community Development	33006-15414	-	1,031,848	1,031,848	-
Fasttrack Infrastructure Development	TN Dept. of Economics and Community Development	33006-54812	-	40,742	40,742	-
Fasttrack Infrastructure Development	TN Dept. of Economics and Community Development	33006-94013	-	79,425	97,970	(18,545)
TOTALS			<u>\$ -</u>	<u>\$ 3,352,015</u>	<u>\$ 3,370,560</u>	<u>\$ (18,545)</u>

The above schedule of expenditures of federal and state awards includes the federal and state grant activity of the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee and is presented on the accrual basis of accounting.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of the governmental activities and each major fund of the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee (the "Board") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated December 17, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Ingram, Overholt & Bean, PC

Alcoa, Tennessee

December 17, 2014



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December 17, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee's compliance with the types of compliance requirements described in the "*OMB Circular A-133 Compliance Supplement*" that could have a direct and material effect on each of the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee's major federal programs for the year ended June 30, 2014. The Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee's management. Our responsibility is to express an opinion on the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States; and OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee's compliance with those requirements.

In our opinion, the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Internal Control Over Compliance

Management of the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report is solely to describe the scope of our testing of compliance with the specific compliance requirements referred to above that are applicable to each of the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee's compliance but not to provide an opinion on the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee's effectiveness of internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee's compliance with the specific program compliance requirements applicable to its major programs and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of management of the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee, federal awarding agencies, pass-through entities, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Ingram, Overholt & Bean, PC

Alcoa, Tennessee
December 17, 2014

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

Maryville, Tennessee

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

A. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the financial statements of the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee.
2. No significant deficiencies relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters based on an audit of financial statement performed in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major state award programs are reported in the report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.
5. The independent auditors' report on compliance for the major state award programs of the Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee expresses an unqualified opinion on all major state programs.
6. Audit findings, if any, that are required to be reported in accordance with Section 510(a) OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs were:

Tennessee Department of Economic and Community Development	33006-12914
Tennessee Department of Economic and Community Development	33006-15414
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The Industrial Development Board of Blount County and the Cities of Alcoa and Maryville, Tennessee does not qualify as a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONS COSTS – MAJOR STATE AWARD PROGRAMS AUDIT

None