

RECREATION AND PARKS COMMISSION

of

Maryville, Alcoa, and Blount County
Maryville, Tennessee

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2014

RECREATION AND PARKS COMMISSION

of

Maryville, Alcoa, and Blount County

Maryville, Tennessee

June 30, 2014

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RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee

SECTION ONE

INTRODUCTORY SECTION

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
LIST OF PRINCIPAL OFFICIALS
June 30, 2014

BOARD MEMBERS:

Andy White	Chairperson
Nelson Russell	
Todd Davis	
Lilli Brown	
Mike Lewis	
Frank Cameron	
Clint Abbott	

		<u>Surety Bond</u>
Joe Huff	Executive Director	\$10,000
Cookie Crowson	Asst. Director	10,000
Dianne McCammon	Business Manager	10,000
Chris Clark	Superintendent of Athletics	10,000
Kelly Forster	Programmer	10,000

RECREATION AND PARKS COMMISSION

of

Maryville, Alcoa, and Blount County
Maryville, Tennessee

SECTION TWO

FINANCIAL SECTION



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

Commissioners and Director
Recreation and Parks Commission
of Maryville, Alcoa, and Blount County
Maryville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Recreation and Parks Commission of Maryville, Alcoa, and Blount County as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the Commission'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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Recreation and Parks Commission of Maryville, Alcoa, and Blount County as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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 (pages 4 – 6) and budgetary comparison information (pages 13 – 16 and 29 - 33) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Recreation and Parks Commission of Maryville, Alcoa, and Blount County's basic financial statements. The introductory section, capital assets used in governmental activities, changes in capital assets by function, and the insurance schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The capital assets used in governmental activities and changes in capital assets by function are the responsibility of management and was derived from and relate 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and insurance schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide 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 5, 2014, on our consideration of the Recreation and Parks Commission of Maryville, Alcoa, and Blount County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Recreation and Parks Commission of Maryville, Alcoa, and Blount County's internal control over financial reporting and compliance.

Ingram, Overholt & Bean, PC

Alcoa, Tennessee
December 5, 2014



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December 5, 2014

Our discussion and analysis of the Recreation and Parks Commission of Maryville, Alcoa, and Blount County’s financial performance provides an overview of the Commission’s activities for the 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 Commission as a whole and present a long-term view of the Commission’s finances.

THE STATEMENT OF NET POSITION AND THE STATEMENT OF ACTIVITIES

One of the most important questions asked about the Commission’s finances is “Is the Commission 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 Commission 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 Commission’s net position and changes in them, respectively. You can think of the Commission’s net position – the difference between assets and liabilities – as one way to measure the Commission’s financial health, or financial position. Over time, increases or decreases in the Commission’s net position are one indicator of whether its financial health is improving or deteriorating.

FINANCIAL HIGHLIGHTS

The operations of the Recreation and Parks Commission of Maryville, Alcoa, and Blount County are primarily funded as follows:

	<u>2014</u>	<u>2013</u>
Governmental appropriations – from Maryville, Alcoa and Blount County, Tennessee	65%	65%
Concessions	4%	4%
Pool admissions	6%	7%
Recreational programs	19%	19%
Facility rental	3%	3%
Other	3%	2%
Total funding	<u>100%</u>	<u>100%</u>

Operational costs for the Commission were \$2,598,295 and \$2,591,314 for the fiscal years ended June 30, 2014 and 2013 respectively.

NET POSITION

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

	<u>2014</u>	<u>2013</u>
Current Assets	\$ 1,234,074	\$ 1,260,062
Capital Assets, net	345,434	271,108
Total Assets	<u>1,579,508</u>	<u>1,531,170</u>
Current Liabilities	190,925	201,051
Long-term Liabilities	58,920	54,623
Total Liabilities	<u>249,845</u>	<u>255,674</u>
Deferred Inflows of Resources	11,250	-
Net Assets:		
Net Investment in capital assets	345,434	271,108
Unrestricted	337,797	361,343
Restricted	635,182	643,045
Total Net Position	<u>\$ 1,318,413</u>	<u>\$ 1,275,496</u>

Net position of the Commission increased 3.4% during the current year. Unrestricted net position, the part of the net position that can be used to finance day-to-day operations, decreased by 6.5%.

Changes in Net Position

	<u>2014</u>	<u>2013</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 844,442	\$ 864,717
Operating grants	22,111	21,976
General Revenues:		
Government appropriations	1,761,170	1,737,417
Investing earnings	3,605	1,414
Miscellaneous	70,951	63,596
Total Revenues	<u>2,702,279</u>	<u>2,689,120</u>
Expenses:		
General and Administration	1,520,946	1,880,586
Concessions	77,188	90,776
Pools	213,477	189,135
Recreational programs	847,751	481,565
	<u>2,659,362</u>	<u>2,642,062</u>
Change in Net Position	42,917	47,058
Net Position – Beginning of Year	1,275,496	1,228,438
Net Position – End of Year	<u>\$ 1,318,413</u>	<u>\$ 1,275,496</u>

FINANCIAL RATIOS

The ratios of Working Capital and Days Cash demonstrate the continuing ability to finance operations with cash. The stability of the current ratio and the liabilities to net position ratio demonstrate that the Commission has not financed its working capital and days cash with an increased proportion of debt. The following is a related schedule of ratios:

	<u>2014</u>	<u>2013</u>
Working Capital (the amount by which current assets exceed current liabilities)	\$ 1,031,899	\$ 1,059,011
Current Ratio (compares current assets to current liabilities – as an indicator of the ability to pay current obligations)	6.10	6.27
Days Cash and Investments (represents the the number of days normal operations could continue with no revenue collections)	165	173

CAPITAL ASSETS

At the fiscal year ended June 30, 2014, the Commission had \$1,172,721 invested in capital assets as outlined below (a 11.23% increase from the prior year):

Depreciable:	<u>2014</u>	<u>2013</u>
Equipment:		
Administration	\$ 340,822	\$ 314,759
Concession equipment	30,325	30,325
Pool equipment	72,445	56,388
Senior citizens center	99,277	82,542
Maintenance	473,256	461,733
Everett Center	96,873	69,621
Louisville Point Park	20,688	-
Martin Luther King Center	<u>39,035</u>	<u>38,996</u>
Total Capital Assets	1,172,721	1,054,364
Accumulated Depreciation	<u>(827,287)</u>	<u>(783,256)</u>
Net Capital Assets	<u>\$ 345,434</u>	<u>\$ 271,108</u>

DEBT

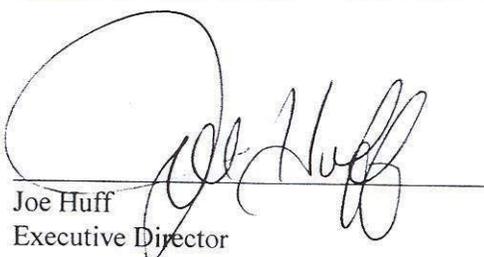
At the fiscal year end, the Commission had no debts payable. However, the Commission has a commitment to Blount County, Tennessee for administrative office building amounting to \$652,036 due 2028. During the next year, the Commission plans to continue equipment replacement. During the current year, several equipment items were purchased.

BUDGETS

The variances between the originally adopted budget for the fiscal year ended June 30, 2014, and the final budget were caused by participations in recreational programs. Categories were amended as deemed necessary by the Board of Directors, amounting to an overall \$63,553 decrease from the original budget.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens with a general view of the Commission's finances and to show the Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Director of the Recreation and Parks Commission of Maryville, Alcoa, and Blount County, 316 S. Everett High Road, Maryville, TN 37804.


Joe Huff
Executive Director

RECREATION AND PARKS COMMISSION

of

Maryville, Alcoa, and Blount County
Maryville, Tennessee

GOVERNMENT-WIDE FINANCIAL STATEMENTS

June 30, 2014

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
STATEMENT OF NET POSITION
June 30, 2014

	<u>Governmental Activities</u>
Assets:	
Current Assets:	
Cash in bank.....	\$ 673,125
Certificates of Deposit	523,136
Inventory	29,914
Receivables	<u>7,899</u>
Total Current Assets	1,234,074
Depreciable Capital Assets, net of depreciation	<u>345,434</u>
Total Assets	<u>1,579,508</u>
Liabilities:	
Current Liabilities:	
Accounts payable.....	77,144
Accrued payroll.....	89,139
Accrued expenses	<u>24,642</u>
Total Current Liabilities	<u>190,925</u>
Long-term Liabilities:	
Compensated absences	<u>58,920</u>
Deferred Inflows of Resources:	
Deferred Revenue	<u>11,250</u>
Total Liabilities	<u>261,095</u>
Net Position:	
Net investment in capital assets.....	345,434
Unrestricted.....	337,797
Restricted for:	
Capital outlay	427,155
Equipment replacement	187,489
Memorial trees	7,774
Leon Berrong Scholarship Fund.....	3,952
Tennis Scholarships	3,269
Randall Cobb Football Fund.....	<u>5,543</u>
Total Net Position.....	<u>\$ 1,318,413</u>

See accompanying independent auditors' report and notes.

RECREATION AND PARKS COMMISSION

of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
STATEMENT OF ACTIVITIES
June 30, 2014

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes Net Position Governmental Activities</u>
Function/ Programs				
Governmental Activities:				
General and Administrative	\$ 1,520,946	\$ 68,501	\$ 1,761,170	\$ 308,725
Concessions	77,188	103,574	-	26,386
Pool Admissions	213,477	162,552	-	(50,925)
Recreational Programs	<u>847,751</u>	<u>509,815</u>	<u>22,111</u>	<u>(315,825)</u>
Totals	<u>\$ 2,659,362</u>	<u>\$ 844,442</u>	<u>\$ 1,783,281</u>	<u>(31,639)</u>
General Revenues:				
Interest earned				3,605
Miscellaneous				<u>70,951</u>
Total General Revenues				<u>74,556</u>
Change in Net Position				42,917
Net Position – Beginning				<u>1,275,496</u>
Net Position – Ending				<u>\$ 1,318,413</u>

See accompanying independent auditors' report and notes.

RECREATION AND PARKS COMMISSION

of

Maryville, Alcoa, and Blount County
Maryville, Tennessee

FUND FINANCIAL STATEMENTS

June 30, 2014

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2014

<u>ASSETS</u>	<u>General</u>	<u>Equipment Replacement Fund</u>	<u>Everett Equipment Replacement Fund</u>	<u>Capital Outlay Fund</u>	<u>Total</u>
Cash in bank.....	\$ 453,390	\$ 56,769	\$ 38,427	\$ 124,539	\$ 673,125
Certificates of Deposit	128,227	92,293	-	302,616	523,136
Inventory	29,914	-	-	-	29,914
Receivables	<u>7,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,899</u>
Total Assets	<u>\$ 619,430</u>	<u>\$ 149,062</u>	<u>\$ 38,427</u>	<u>\$ 427,155</u>	<u>\$ 1,234,074</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>					
Liabilities:					
Accounts payable.....	\$ 77,144	\$ -	\$ -	\$ -	\$ 77,144
Accrued payroll.....	89,139	-	-	-	89,139
Accrued expenses	<u>24,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,642</u>
Total Liabilities.....	<u>190,925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,925</u>
Deferred Inflows of Resources:					
Deferred Revenue	<u>11,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,250</u>
Fund Balance:					
Unassigned.....	<u>366,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>366,803</u>
Unspendable.....	<u>29,914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,914</u>
Restricted for:					
Equipment replacement and Capital Outlay.....	-	149,062	38,427	427,155	614,644
Memorial trees	7,774	-	-	-	7,774
Leon Berrong Scholarship Fund.....	3,952	-	-	-	3,952
Tennis Scholarships	3,269	-	-	-	3,269
Randall Cobb Football	<u>5,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,543</u>
Total Restricted Fund Balance	<u>20,538</u>	<u>149,062</u>	<u>38,427</u>	<u>427,155</u>	<u>635,182</u>
Total Fund Balance	<u>417,255</u>	<u>149,062</u>	<u>38,427</u>	<u>427,155</u>	<u>1,031,899</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 619,430</u>	<u>\$ 149,062</u>	<u>\$ 38,427</u>	<u>\$ 427,155</u>	<u>\$ 1,234,074</u>

See accompanying independent auditors' report and notes.

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014

Fund balances – total governmental funds	\$ 1,031,899
Amounts reported for the 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 in the funds.	345,434
Compensated absences are not due and payable in the current period, and, therefore, are not reported in the governmental funds	<u>(58,920)</u>
Net position of governmental activities	<u>\$ 1,318,413</u>

See accompanying independent auditors' report and notes.

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa and Blount County
Maryville, Tennessee
**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE**
GOVERNMENT FUNDS
For the Fiscal Year ended June 30, 2014

	<u>General</u>	Equipment Replacement <u>Fund</u>	Everett Equipment Replacement <u>Fund</u>	Capital Outlay <u>Fund</u>	<u>Total</u>
Revenues:					
Government appropriations	\$ 1,761,170	\$ -	\$ -	\$ -	\$ 1,761,170
Concessions	103,574	-	-	-	103,574
Pool Admissions	162,552	-	-	-	162,552
Program Revenue	509,815	-	-	-	509,815
Facility rental	68,501	-	-	-	68,501
Other revenues	68,795	2,156	-	-	70,951
Grant – Office on Aging	22,111	-	-	-	22,111
Interest	-	516	158	2,931	3,605
Total Revenues	<u>2,696,518</u>	<u>2,672</u>	<u>158</u>	<u>2,931</u>	<u>2,702,279</u>
Expenditures:					
Concessions	75,518	-	-	-	75,518
Pools	206,496	-	-	-	206,496
Program expenditures	847,751	-	-	-	847,751
Maintenance	709,382	-	-	-	709,382
Administrative	759,148	-	-	-	759,148
Capital Outlay	-	27,165	16,935	86,996	131,096
Total Expenditures	<u>2,598,295</u>	<u>27,165</u>	<u>16,935</u>	<u>86,996</u>	<u>2,729,391</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>98,223</u>	<u>(24,493)</u>	<u>(16,777)</u>	<u>(84,065)</u>	<u>(27,112)</u>
Other Financing Sources (Uses):					
Operating transfers	<u>(118,000)</u>	<u>15,000</u>	<u>3,000</u>	<u>100,000</u>	<u>-</u>
Net change in fund balances	(19,777)	(9,493)	(13,777)	15,935	(27,112)
Fund Balance – July 1 st	<u>437,032</u>	<u>158,555</u>	<u>52,204</u>	<u>411,220</u>	<u>1,059,011</u>
Fund Balance – June 30 th	<u>\$ 417,255</u>	<u>\$ 149,062</u>	<u>\$ 38,427</u>	<u>\$ 427,155</u>	<u>\$ 1,031,899</u>

See accompanying independent auditors' report and notes.

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALACE
TO THE STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2014

Net change in fund balances – total governmental funds \$ (27,112)

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

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. (Current additions \$131,096 less depreciation \$56,770). 74,326

Expenses related to compensated absences are recorded in the statement of activities, but do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (Liability 6/30/13 \$54,623 less liability 6/30/14 \$58,920). (4,297)

Changes in net position of governmental activities \$ 42,917

See accompanying independent auditors' report and notes.

RECREATION AND PARKS COMMISSION

of

Maryville, Alcoa, and Blount County

Maryville, Tennessee

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
COMPARED TO BUDGET

For the Fiscal Year Ended June 30, 2014

	Budget			Variance -
	Original	Final	Actual	Favorable (Unfavorable)
REVENUES:				
APPROPRIATIONS:				
City of Maryville	\$ 645,435	\$ 645,435	\$ 645,435	\$ -
City of Alcoa.....	462,150	462,150	462,150	-
Blount County.....	<u>653,585</u>	<u>653,585</u>	<u>653,585</u>	-
Total Appropriations.....	<u>1,761,170</u>	<u>1,761,170</u>	<u>1,761,170</u>	-
CONCESSIONS:				
Everett Park.....	11,000	9,897	9,897	-
Everett Football Field	18,700	15,843	16,590	747
Everett Recreation Center.....	7,500	7,170	7,170	-
Sandy Springs Park.....	9,500	7,112	8,605	1,493
John Sevier Pool	16,500	12,743	13,489	746
Springbrook Pool.....	50,000	46,054	46,800	746
Vending.....	<u>1,200</u>	<u>1,023</u>	<u>1,023</u>	-
Total Concessions	<u>114,400</u>	<u>99,842</u>	<u>103,574</u>	<u>3,732</u>
POOL ADMISSIONS:				
John Sevier Pool	63,625	49,515	49,515	-
Springbrook Pool.....	<u>125,400</u>	<u>113,037</u>	<u>113,037</u>	-
Total Pool Admissions.....	<u>189,025</u>	<u>162,552</u>	<u>162,552</u>	-
RECREATIONAL PROGRAM INCOME:				
Swim Team.....	19,000	20,545	20,545	-
Learn to Swim.....	12,500	13,470	13,470	-
Adult Softball.....	72,350	53,935	53,835	(100)
Smoky Mountain Classic.....	41,800	43,095	43,095	-
Tennis.....	7,700	21,192	21,192	-
Therapeutics.....	1,850	1,880	1,880	-
Recreation programs	17,050	20,104	20,104	-
Adult Basketball	9,350	6,588	6,588	-
Youth Basketball	42,125	38,396	38,396	-
Adult Volleyball	7,800	9,150	9,150	-
Soccer Camp.....	1,300	1,034	1,034	-
Youth Performing Arts	3,450	2,954	2,954	-
Volleyball Camp.....	3,000	2,102	2,102	-
Environmental Camp.....	1,700	2,497	2,497	-
Spring Arts & Craft Show	2,675	2,520	2,520	-
Youth Softball Camp	1,875	-	-	-
Youth Softball.....	5,500	2,583	2,582	(1)

(Continued)

See accompanying independent auditors' report and notes.

RECREATION AND PARKS COMMISSION
of

Maryville, Alcoa, and Blount County
Maryville, Tennessee
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
COMPARED TO BUDGET (Continued)
For the Fiscal Year Ended June 30, 2014

	<u>Budget</u>		<u>Actual</u>	Variance - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
RECREATIONAL PROGRAM INCOME				
(CONTINUED):				
Basketball Camp	4,800	6,440	6,440	-
Youth Football Camp	5,400	5,807	5,807	-
Christmas Basketball Tournament	4,875	4,733	4,733	-
Youth Football	25,900	6,000	30,674	24,674
Youth Soccer	79,175	77,983	77,982	(1)
Day Camp	11,125	13,447	13,447	-
Yoga	6,350	6,414	6,414	-
Everett Park Adult Center	28,740	47,860	47,860	-
Road races/sprints	26,200	23,435	23,435	-
Special Events	17,000	20,465	20,465	-
Fishing Derby	2,275	3,077	3,077	-
Halloween Fun	2,475	2,292	2,292	-
Dog Obedience	1,075	574	574	-
Hometown Christmas	1,800	695	695	-
Preschool Programs	21,300	23,976	23,976	-
Total Recreational Program Income	<u>489,515</u>	<u>485,243</u>	<u>509,815</u>	<u>24,572</u>
FACILITY RENTAL:				
Springbrook Gym rental	11,000	23,215	23,215	-
Martin Luther King Center rental	8,000	9,574	9,573	(1)
Pavilion rental	19,000	20,323	20,323	-
Everett Gym rental	14,000	15,390	15,390	-
Total Facility Rental	<u>52,000</u>	<u>68,502</u>	<u>68,501</u>	<u>(1)</u>
OTHER REVENUES:				
Miscellaneous	3,000	2,412	2,411	(1)
Utility reimbursements	30,000	32,445	32,445	-
Marketing	6,000	13,840	13,840	-
Scholarships	-	-	7,282	7,282
Randall Cobb Football Camp	-	-	10,142	10,142
Memorial trees	-	-	2,675	2,675
Total Other Revenues	<u>39,000</u>	<u>48,697</u>	<u>68,795</u>	<u>20,098</u>
GRANT REVENUE	<u>21,975</u>	<u>22,111</u>	<u>22,111</u>	<u>-</u>
TOTAL REVENUES	<u>2,667,085</u>	<u>2,648,117</u>	<u>2,696,518</u>	<u>48,401</u>
EXPENDITURES:				
RECREATIONAL PROGRAMS				
Day Camp	8,950	9,769	9,769	-
Swim Team	9,250	9,071	10,061	(990)
Adult Softball	75,550	51,424	49,814	1,610

(Continued)

See accompanying independent auditors' report and notes.

RECREATION AND PARKS COMMISSION
of

Maryville, Alcoa, and Blount County
Maryville, Tennessee
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
COMPARED TO BUDGET (Continued)
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
EXPENDITURES (CONTINUED):				
RECREATIONAL PROGRAMS (CONTINUED)				
Smoky Mountain Classic	30,700	25,242	28,074	(2,832)
Tennis	5,925	15,150	15,114	36
Spring Sprint.....	4,100	4,602	4,602	-
Youth Softball	-	-	2,439	(2,439)
Youth Football Camp.....	3,850	3,217	3,217	-
Recreation Programs	8,300	14,050	12,780	1,270
Reindeer Run	7,100	7,180	7,180	-
Triple Crown	6,775	7,497	7,497	-
Youth Performing Arts.....	1,950	1,439	1,853	(414)
Volleyball Camp	2,375	2,288	1,505	783
Environmental Camp	1,500	2,015	2,015	-
Arts and Craft Show	1,925	1,148	1,148	-
Christmas Basketball Tournament.....	3,000	3,108	3,108	-
Everett Senior Center	167,300	179,335	177,049	2,286
Soccer Camp.....	950	727	727	-
Basketball Camp	3,575	4,289	4,279	10
Youth Baseball	3,600	1,200	1,200	-
Adult Basketball.....	8,050	7,065	7,059	6
Adult Volleyball.....	3,625	3,166	3,166	-
Youth Football.....	28,350	8,106	22,928	(14,822)
Supervised Gym	1,975	-	-	-
Learn to swim.....	7,050	8,582	9,168	(586)
Therapeutics	2,725	2,021	2,021	-
Youth Basketball.....	24,675	20,527	20,527	-
Youth Soccer	23,225	19,245	19,245	-
Special Events	15,000	14,008	14,008	-
Downtown Christmas.....	1,775	1,356	1,356	-
Yoga.....	4,125	5,259	5,209	50
Fishing Derby	1,325	879	879	-
Halloween Fun	1,475	1,794	1,794	-
Dog Obedience	700	374	374	-
Preschool Program	14,175	16,507	16,507	-
Miscellaneous – trees, scholarships, etc.	-	-	20,627	(20,627)
Total Recreational Programs	484,925	451,640	488,299	(36,659)
POOLS				
John Sevier Pool.....	74,050	64,857	64,484	373
Alcoa Springbrook Pool.....	123,425	140,615	142,012	(1,397)
Total Pool Admissions.....	197,475	205,472	206,496	(1,024)

(Continued)

See accompanying independent auditors' report and notes.

RECREATION AND PARKS COMMISSION

of

Maryville, Alcoa, and Blount County

Maryville, Tennessee

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -

COMPARED TO BUDGET (Continued)

For the Fiscal Year Ended June 30, 2014

	Budget			Variance -
	Original	Final	Actual	Favorable (Unfavorable)
EXPENDITURES (Continued)				
CONCESSIONS				
Vending.....	200	-	-	-
Everett Park Concessions.....	10,950	9,170	9,118	52
Sandy Springs Park Concessions.....	9,700	6,705	7,156	(451)
Everett Football Field Concessions.....	11,425	8,399	8,234	165
Everett Recreation Center Concessions.....	5,125	5,520	5,520	-
John Sevier Pool Concessions.....	14,075	12,109	12,076	33
Alcoa Springbrook Pool Concessions.....	35,750	33,096	33,414	(318)
Total Concessions.....	87,225	74,999	75,518	(519)
OTHER EXPENDITURES:				
Springbrook Recreation Center.....	104,800	107,009	107,946	(937)
Louisville Point Park.....	15,500	13,489	13,489	-
Everett Recreation Center.....	135,300	129,947	129,487	460
Parks' Maintenance.....	763,025	761,369	709,382	51,987
Administration.....	744,610	718,429	726,148	(7,719)
Marketing.....	10,850	16,000	16,000	-
Martin Luther King Center.....	90,375	92,178	92,530	(352)
Debt Commitment.....	33,000	33,000	33,000	-
Total Other Expenditures.....	1,897,460	1,871,421	1,827,982	43,439
Total Expenditures.....	2,667,085	2,603,532	2,598,295	5,237
EXCESS OF REVENUES OVER				
EXPENDITURES.....	\$ -	\$ 44,585	\$ 98,223	\$ 53,638
Other Sources (Uses):				
Transfers to:				
Equipment Replacement Fund.....	(15,000)	(15,000)	(15,000)	-
Everett Equipment Replacement Fund....	(3,000)	(3,000)	(3,000)	-
Capital Outlay Fund.....	(100,000)	(100,000)	(100,000)	-
Total Other Sources (Uses).....	(118,000)	(118,000)	(118,000)	-
Excess (Deficiency) of Revenues Over				
Expenditures and Other Sources (Uses).....	(118,000)	(73,415)	(19,777)	53,638
Fund Balance - July 1, 2013.....	437,032	437,032	437,032	-
Fund Balance - June 30, 2014.....	\$ 319,032	\$ 363,617	\$ 417,255	\$ 53,638

See accompanying independent auditors' report and notes.

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – GENERAL INFORMATION:

The Recreation and Parks Commission of Maryville, Alcoa, and Blount County was created on January 1, 1970, by an agreement executed by the three participating government entities. A similar, updated agreement was signed by the governments on July 1, 1987. The Commission is responsible for providing recreation services and maintaining facilities for all three governments. The Commission is governed by a seven-member board comprised of two members each from the three governments and one member appointed at-large. Each board commissioner serves a four-year term. The Commission employs a Director and staff to plan and coordinate recreation programs. Financial support for the Commission is provided by recreation program revenues and by annual appropriations from Blount County and the Cities of Maryville and Alcoa.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. REPORTING ENTITY

The Commission is a joint venture between the three participating governments as permitted by the Tennessee Code Annotated 12-9-101 and 11-24-101, the Inter-Local Cooperation Act. The Administration Board is responsible for hiring an Executive Director. The Commission operates under its own by-laws and employees are governed under a personnel policy manual and job classification system. The Commission maintains parks and facilities owned by the three participating entities, which have an ongoing financial responsibility for the maintenance of those properties.

B. BASIS OF PRESENTATION

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

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

(Continued)

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets 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 Commission 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 that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.
- c. Any fund which government officials believe is important. The Commission considers all funds as major funds.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Capital Project Funds

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital assets.

(Continued)

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

B. BASIS OF PRESENTATION (Continued)

Major and Nonmajor Funds

The funds are further classified as major or non-major as follows:

<u>Major Fund:</u>	<u>Brief Description</u>
General	It is used to account for all activities except those legally or administratively required to be accounted for in other funds.
Capital Project Funds:	
Equipment Replacement Fund	It is funded annually by the General Fund to enable the Commission to replace large equipment items on a timely basis.
Everett Equipment Replacement Fund	It is funded annually by the General Fund to enable the Commission to replace the large equipment items at the Everett facilities on a timely basis.
Capital Outlay Fund	It is funded annually by the General Fund to enable the Commission to accumulate funds for future renovations and capital projects.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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 and the accrual basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

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.

(Continued)

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

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

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

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

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

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

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

Since the governmental fund financial statements are presented on a basis different than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

(Continued)

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

D. ASSETS, LIABILITIES, AND EQUITY

Cash and Cash Equivalents

The Commission considers all highly liquid investments (Certificates of Deposit) with an original maturity of three months or less, at date of acquisition, to be cash equivalents.

Interfund Receivables and Payables

During the course of operations, transactions may occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net position.

Capital Assets

The accounting treatment used for property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements

Government-wide Statements

In the government-wide financial statements, 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. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2003.

Capital Assets (Continued)

Government-wide Statements (Continued)

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:

Machinery and Equipment	05 – 10 years
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Fund Financial Statements

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

(Continued)

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

D. ASSETS, LIABILITIES, AND EQUITY (Continued)

Inventory

Inventory of supplies and materials is valued using the lower of cost or market method for recording inventory (first-in, first-out basis).

Equity Classifications

Government-wide Statements

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

- a. 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.
- b. Restricted net position – consists of assets with constraints placed on the use either 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.
- c. Unrestricted net position – all other assets that do not meet the definition of “restricted” or “Net investment in capital assets.”

Equity Classifications

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as unassigned, unspendable, and restricted.

E. 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. The Commission has the following types of program revenues – fees and charges and operating grants and contributions.

Expenditures/Expenses

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

(Continued)

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

Expenditures/Expenses (Continued)

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.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Commission’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Commission’s policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

Interfund Transfers

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

F. BUDGETARY ACCOUNTING

At least forty-five (45) days before the beginning of the budgetary fiscal year, the Executive Director submits to the Board of Commissioners a proposed operating budget for the fiscal year commencing the following July 1st. The operating budget includes proposed expenditures and the means of financing them. Prior to July 1st, the budget is legally enacted by approval of the Board. The Executive Director is authorized to transfer appropriations between departments of any fund without the approval of the Board of Commissioners. However, any revisions that alter the total expenditures of any fund and all other budget amendments must be approved by the Board of Commissioners. Formal budgetary integration is employed as a management control device during the year for the General Fund, Equipment Replacement Fund, and Everett

Equipment Replacement Fund. Budgets for the General Fund, Equipment Replacement Fund, Capital Outlay Fund, and Everett Equipment Replacement Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts are as originally adopted by the Board of Commissioners, with the exception of those amounts subsequently amended by action of the Commission. Appropriations lapse at the end of the fiscal year.

(Continued)

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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

G. FUND BALANCES

Governmental fund equity is classified as fund balance. During the year ended June 30, 2011, the agency implemented Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance and Government Fund Type Definitions. Under this statement fund balances are classified into the following categories:

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

The Commission has no formal policy with regard to classifying expenditures among the various classifications. Thus, the default provision under GASB Statement 54 apply expenditures first to restricted resources, then to committed resources, then to assigned resources, and finally to unassigned resources. Only the Commission can grant the authority to assign fund balance. In addition, the Commission has no formal policy with regard to stabilization funds.

H. 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 expense during the reporting period. Actual results could differ from those estimates.

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

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

A. FUND ACCOUNTING REQUIREMENTS

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

(Continued)

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):

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 Commission complied with this statute in all material respects for the year ended June 30, 2014.

NOTE 4 – CASH:

Total cash with a carrying value of \$1,196,261 at June 30, 2014, is summarized as follows:

Type	Amount
Petty cash – office, pools, concessions	\$ 834
Local financial institutions:	
Checking accounts (Varies)	375,744
Savings accounts (approximately .351%).....	296,547
Certificate of Deposit -	
(.625% maturing 11/27/15).....	40,451
(.501% maturing 04/16/15).....	78,321
(.501% maturing 04/16/15).....	51,857
(.10% maturing 04/23/15).....	40,435
(.20% maturing 08/15/14).....	302,616
(.50% maturing 09/29/14).....	9,456
Total Cash and Investments	\$ 1,196,261

As of June 30, 2014, total cash on deposit in four financial institutions 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 – LEASES:

Effective April 1, 1999, the Commission leased a warehouse and storage building located on Evan Circle, Maryville, Tennessee, for use in storing supplies and maintenance items. The Commission is continuing to lease the facility for \$700 per month.

(Continued)

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 6 – VACATION AND SICK LEAVE:

Vacation leave, computed as of January 1st each year based on preceding year, is as follows:

- (1) Less than one year, earned at 6.6 hours per month.
- (2) From one through six years of completed continuous service, 10 days vacation.
- (3) After completion of seven years of continuous service, 15 days vacation.
- (4) After completion of fourteen years of continuous service, 20 days vacation.

Employee sick leave accumulates at the rate of one day per month. Employees are allowed to trade one (1) day of vacation for every two (2) accumulated sick days over 90 days. Resigned or dismissed employees lose all accrued sick leave credit and are not paid for accrued sick leave; therefore, sick pay is not recorded as an expenditure until paid.

An employee may “carry over” into the next calendar year any unused, accrued vacation leave subject to approval. The “carry over” and unused accrued vacation is subject to a maximum of 25 days.

The Commission accounts for compensated absences in conformity with the *Governmental Accounting Standards Board (GASB) Statement Number 16*, whereby a liability is accrued for the amounts employees are entitled to receive for future absences. The liability as of June 30, 2014 is \$58,920.

NOTE 7 – EMPLOYEES’ RETIREMENT PLAN:

During the fiscal year under examination, certain employees of the Commission were members of the Tennessee Consolidated Retirement System (TCRS). The TCRS is a defined benefit retirement plan covering general employees and teachers of the State, as well as employees of political subdivisions that have elected coverage. Benefits are determined by a formula using the high five-year average salary and years of service of each employee.

Contributions to the system are determined on an actuarial reserve basis and provide funding for both normal and supplemental liability costs. The frozen initial liability method, a projected benefit cost method, is used to value the plan. All supplemental liabilities are amortized over a 40-year period which began July 1, 1975 (or the political subdivision’s date of participation, if later). The supplemental liability for the basic benefits and cost-of-living benefits is amortized as a level dollar amount. It is the policy of the plan to fund pension costs accrued.

Political subdivisions, such as the Commission, participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan.

For the year ended June 30, 2014, the Commission contributed \$96,525 to the plan.

An actuarial valuation is made every two years, the most recent having been completed July 1, 2013. For valuation purposes, equities were valued based on a five-year moving market average, while debt securities are valued at amortized costs.

An experience study of the system is conducted every four years, the most recent as of June 30, 2012. The 2012 valuation was conducted using assumptions that resulted from the June 30, 2008 study.

(Continued)

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 – EMPLOYEES’ RETIREMENT PLAN (Continued):

Amounts pertaining to the supplemental liability for the pension plan and accumulated assets in the plan, and the actuarially computed present value of vested benefits in excess of net position of the pension fund, are not identifiable for the Commission, since they participate through the City of Alcoa.

NOTE 8 – RISK FINANCING ACTIVITIES:

It is the policy of the Commission 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. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

NOTE 9 – COMMITMENTS:

During the fiscal year ended June 30, 1998, Blount County, Tennessee, borrowed \$275,000 to finance the construction of an administrative office building for the Commission. In 2008, an additional \$275,000 from Blount County, Tennessee financed an extension to the office building. In exchange, the Commission will make annual payments to Blount County in amounts ranging from \$18,000 to \$57,536 (through June 2028, including interest at 5.00%) as follows:

Year ending <u>June 30,</u>		Year ending <u>June 30,</u>		Year ending <u>June 30,</u>	
2015	\$ 38,000	2020	\$ 43,000	2025	\$ 50,000
2016	38,000	2021	48,000	2026	50,000
2017	38,000	2022	48,000	2027	57,500
2018	43,000	2023	48,000	2028	<u>57,536</u>
2019	<u>43,000</u>	2024	<u>50,000</u>		
	<u>\$ 200,000</u>		<u>\$ 237,000</u>		<u>215,036</u>
					<u>\$ 652,036</u>

Neither the capital asset (administrative office building) nor the \$555,000 borrowed by Blount County is reflected in the financial statements of the Commission since the Commission is a joint venture between the three participating governments who have a revisionary interest upon dissolution of the Commission.

Long-term liability activity for the year ended June 30, 2014 is:

	Beginning Balance	Additions	Reductions	Ending Balance
Commitment to Blount County	\$ 685,036	\$ -	\$ 33,000	\$ 652,036
Compensated Absences	<u>54,623</u>	<u>4,297</u>	<u>-</u>	<u>58,920</u>
	<u>\$ 739,659</u>	<u>\$ 4,297</u>	<u>\$ 33,000</u>	<u>\$ 710,956</u>

(Continued)

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 10 – CAPITAL ASSETS:

A summary of capital assets and depreciation is as follows:

	Balance <u>7/1/13</u>	Current <u>Additions</u>	Current Retirements/ <u>Reclassifications</u>	Balance <u>6/30/14</u>
<u>Depreciable Capital Assets:</u>				
Equipment:				
Administration	\$ 314,759	\$ 26,438	\$ 375	\$ 340,822
Concessions Equipment	30,325	-	-	30,325
Pool Equipment	56,388	16,057	-	72,445
Senior Citizens Center	82,542	18,325	1,590	99,277
Maintenance	461,733	22,297	10,774	473,256
Everett Center	69,621	27,252	-	96,873
Louisville Point Park	-	20,688	-	20,688
Martin Luther King Center	<u>38,996</u>	<u>39</u>	<u>-</u>	<u>39,035</u>
Total Capital Assets	1,054,364	131,096	12,739	1,172,721
Less Accumulated Depreciation	<u>(783,256)</u>	<u>(56,770)</u>	<u>(12,739)</u>	<u>(827,287)</u>
Net Capital Assets	<u>\$ 271,108</u>	<u>\$ 74,326</u>	<u>\$ -</u>	<u>\$ 345,434</u>
<u>Accumulated Depreciation:</u>				
Equipment:				
Administration	\$ 268,225	\$ 8,703	\$ 375	\$ 276,553
Concessions Equipment	16,987	1,670	-	18,657
Pool Equipment	21,454	6,981	-	28,435
Senior Citizens Center	76,404	1,589	1,590	76,403
Maintenance	327,771	32,610	10,774	349,607
Everett Center	44,008	3,434	-	47,442
Louisville Point Park	-	207	-	207
Martin Luther King Center	<u>28,407</u>	<u>1,576</u>	<u>-</u>	<u>29,983</u>
	<u>\$ 783,256</u>	<u>\$ 56,770</u>	<u>\$ 12,739</u>	<u>\$ 827,287</u>

NOTE 11 – 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 5, 2014 is the date on which the financial statements were issued.

RECREATION AND PARKS COMMISSION
Of
Maryville, Alcoa and Blount County
Maryville, Tennessee

SUPPLEMENTAL SCHEDULES

June 30, 2014

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
EQUIPMENT REPLACEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE – COMPARED TO BUDGET
For the Fiscal Year Ended June 30, 2014

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES:				
Sale of equipment	\$ 2,156	\$ 2,156	\$ 2,156	\$ -
Interest on investments	516	516	516	-
Total Revenues	2,672	2,672	2,672	-
EXPENDITURES:				
Capital outlay	27,165	27,165	27,165	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(24,493)	(24,493)	(24,493)	-
OTHER FINANCING SOURCES (USES):				
Operating transfer from General Fund	15,000	15,000	15,000	-
NET CHANGE IN FUND BALANCE	(9,493)	(9,493)	(9,493)	-
FUND BALANCE – JULY 1, 2012	158,555	158,555	158,555	-
FUND BALANCE – JUNE 30, 2014	\$ 149,062	\$ 149,062	\$ 149,062	\$ -

See accompanying independent auditors' report and notes.

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
EVERETT EQUIPMENT REPLACEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE – COMPARED TO BUDGET
For the Fiscal Year Ended June 30, 2014

	<u>Budget</u>		<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Interest on investments.....	\$ 158	\$ 158	\$ 158	\$ -
EXPENDITURES – Capital Outlay.....	<u>16,935</u>	<u>16,935</u>	<u>16,935</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(16,777)	(16,777)	(16,777)	-
OTHER FINANCING SOURCES (USES):				
Operating transfer from General Fund.....	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(13,777)	(13,777)	(13,777)	-
FUND BALANCE – JULY 1, 2013	<u>52,204</u>	<u>52,204</u>	<u>52,204</u>	<u>-</u>
FUND BALANCE – JUNE 30, 2014	<u>\$ 38,427</u>	<u>\$ 38,427</u>	<u>\$ 38,427</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes.

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
CAPITAL OUTLAY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCE – COMPARED TO BUDGET
For the Fiscal Year Ended June 30, 2014

	<u>Budget</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Interest on investments.....	\$ 2,931	\$ 2,931	\$ 2,931	\$ -
EXPENDITURES:				
Capital Outlay.....	<u>86,996</u>	<u>86,996</u>	<u>86,996</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(84,065)	(84,065)	(84,065)	-
OTHER FINANCING SOURCES (USES):				
Operating transfer from General Fund.....	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	15,935	15,935	15,935	-
FUND BALANCE – JULY 1, 2013	<u>411,220</u>	<u>411,220</u>	<u>411,220</u>	<u>-</u>
FUND BALANCE – JUNE 30, 2014	<u>\$ 427,155</u>	<u>\$ 427,155</u>	<u>\$ 427,155</u>	<u>\$ -</u>

See accompanying independent auditors' report and notes.

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
GENERAL FUND – SCHEDULE OF EXPENDITURES –
COMPARED TO BUDGET
June 30, 2014

	<u>Budget</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		<u>Favorable (Unfavorable)</u>
RECREATIONAL PROGRAMS:				
Personnel expenses.....	\$ 134,600	\$ 124,901	\$ 128,024	\$ (3,123)
Small equipment.....	6,700	8,454	8,454	-
Repairs and maintenance.....	9,625	14,806	14,806	-
Utilities and telephone.....	275	-	-	-
Travel.....	500	334	334	-
Supplies/Miscellaneous.....	<u>163,925</u>	<u>123,810</u>	<u>159,632</u>	<u>(35,822)</u>
Subtotal	<u>315,625</u>	<u>272,305</u>	<u>311,250</u>	<u>(38,945)</u>
POOLS:				
Personnel expenses.....	111,900	102,880	104,068	(1,188)
Repair and Maintenance.....	13,000	12,642	12,642	-
Chemicals and supplies.....	31,100	36,213	36,049	164
Utilities and telephone.....	<u>41,475</u>	<u>53,737</u>	<u>53,737</u>	<u>-</u>
Subtotal	<u>197,475</u>	<u>205,472</u>	<u>206,496</u>	<u>(1,024)</u>
POOLS & PARKS CONCESSIONS:				
Supplies.....	45,075	41,865	42,035	(170)
Personnel expenses.....	40,100	32,261	32,610	(349)
Small equipment/repairs.....	<u>2,050</u>	<u>873</u>	<u>873</u>	<u>-</u>
Subtotal	<u>87,225</u>	<u>74,999</u>	<u>75,518</u>	<u>(519)</u>
OTHER EXPENDITURES:				
Springbrook Recreation Center:				
Personnel expenses.....	76,875	81,603	82,541	(938)
Supplies.....	725	549	548	1
Repair and maintenance	3,000	4,346	4,346	-
Conferences and training.....	300	90	90	-
Utilities and telephone.....	<u>23,900</u>	<u>20,421</u>	<u>20,421</u>	<u>-</u>
Subtotal	<u>104,800</u>	<u>107,009</u>	<u>107,946</u>	<u>(937)</u>
Everett Adult Center:				
Personnel expenses.....	119,825	112,927	124,500	(11,573)
Repairs/maintenance/equipment	12,100	18,355	7,415	10,940
Conference and training	650	80	80	-
Utilities	23,000	24,986	24,986	-
Postage.....	250	-	-	-
Printing/Programs.....	10,625	22,450	19,531	2,919
Office Supplies	<u>850</u>	<u>537</u>	<u>537</u>	<u>-</u>
Subtotal	<u>167,300</u>	<u>179,335</u>	<u>177,049</u>	<u>2,286</u>

See accompanying independent auditors' report and notes.

(Continued)

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
GENERAL FUND – SCHEDULE OF EXPENDITURES –
COMPARED TO BUDGET (Continued)
June 30, 2014

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
OTHER EXPENDITURES (Continued):				
Everett Recreation Center:				
Personnel expenses	91,450	90,191	89,731	460
Supplies	1,300	639	639	-
Repair and maintenance	6,850	4,554	4,554	-
Conferences and training	1,000	901	901	-
Utilities and telephone	<u>34,700</u>	<u>33,662</u>	<u>33,662</u>	<u>-</u>
Subtotal	<u>135,300</u>	<u>129,947</u>	<u>129,487</u>	<u>460</u>
Martin Luther King Center:				
Personnel expenses	73,175	74,900	75,251	(351)
Supplies	3,000	1,650	1,650	-
Repair and maintenance	4,000	3,229	3,230	(1)
Conferences and training	400	365	365	-
Utilities and telephone	<u>9,800</u>	<u>12,034</u>	<u>12,034</u>	<u>-</u>
Subtotal	<u>90,375</u>	<u>92,178</u>	<u>92,530</u>	<u>(352)</u>
Maintenance:				
Personnel expenses	425,075	399,342	424,232	(24,890)
Supplies	18,400	23,368	26,414	(3,046)
Small equipment	10,000	18,250	3,250	15,000
Repair and maintenance	112,050	148,320	83,397	64,923
Conferences and training	1,400	1,198	1,198	-
Utilities and telephone	91,500	89,299	89,299	-
Rent	8,400	8,400	8,400	-
Insurance	<u>96,200</u>	<u>73,192</u>	<u>73,192</u>	<u>-</u>
Subtotal	<u>763,025</u>	<u>761,369</u>	<u>709,382</u>	<u>51,987</u>
Administration:				
Personnel services	512,935	494,321	494,313	8
Insurance	154,075	146,877	155,004	(8,127)
Supplies	23,500	32,606	32,606	-
Utilities and telephone	14,000	14,799	14,799	-
Postage	5,000	2,398	2,398	-
Dues and publications	3,200	4,479	4,479	-
Conferences and training	8,000	4,249	4,249	-
Contract services	23,900	18,700	18,300	400
Debt Commitment	<u>33,000</u>	<u>33,000</u>	<u>33,000</u>	<u>-</u>
Subtotal	<u>777,610</u>	<u>751,429</u>	<u>759,148</u>	<u>(7,719)</u>
Total Other Expenditures	<u>28,350</u>	<u>29,489</u>	<u>29,489</u>	<u>-</u>
Total Recreational Programs	<u>\$ 2,667,085</u>	<u>\$ 2,603,532</u>	<u>\$ 2,598,295</u>	<u>\$ 5,237</u>

See accompanying independent auditors' report and notes.

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
CAPTIAL ASSETS USED IN GOVERNMENTAL ACTIVITIES
SCHEDULE OF GENERAL CAPITAL ASSETS
June 30, 2014

Depreciable Capital Assets:	
Equipment	<u>\$ 345,434</u>
 Investment in Capital Assets	 <u>\$ 345,434</u>

See accompanying independent auditors' report and notes.

RECREATION AND PARKS COMMISSION

of

Maryville, Alcoa, and Blount County

Maryville, Tennessee

SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTION

For the Fiscal Year Ended June 30, 2014

	Capital Assets			Accumulated Depreciation				Net Book Value	
	Balance <u>7/1/13</u>	Current <u>Additions</u>	Current Retirements/ <u>Reclassifications</u>	Balance <u>6/30/14</u>	Balance <u>7/01/13</u>	Current <u>Additions</u>	Current <u>Retirements</u>		Balance <u>6/30/14</u>
Equipment:									
Administration/General	\$ 314,759	\$ 26,438	\$ 375	\$ 340,822	\$ 268,225	\$ 8,703	\$ 375	\$ 276,553	\$ 64,269
Concessions Equipment	30,325	-	-	30,325	16,987	1,670	-	18,657	11,668
Pool Equipment	56,388	16,057	-	72,445	21,454	6,981	-	28,435	44,010
Senior Citizens Center	82,542	18,325	1,590	99,277	76,404	1,589	1,590	76,403	22,874
Maintenance	461,733	22,297	10,774	473,256	327,771	32,610	10,774	349,607	123,649
Everett Center	69,621	27,252	-	96,873	44,008	3,434	-	47,442	49,431
Louisville Point Park	-	20,688	-	20,688	-	207	-	207	20,481
Martin Luther King Center	38,996	39	-	39,035	28,407	1,576	-	29,983	9,052
Totals	<u>\$ 1,054,364</u>	<u>\$ 131,096</u>	<u>\$ 12,739</u>	<u>\$ 1,172,721</u>	<u>\$ 783,256</u>	<u>\$ 56,770</u>	<u>\$ 12,739</u>	<u>\$ 827,287</u>	<u>\$ 345,434</u>

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

Equipment Replacement Fund	\$ 27,165
Capital Outlay Fund	86,996
Everett Equipment Replacement Fund	<u>16,935</u>
Total	<u>\$ 131,096</u>

See accompanying independent auditors' report and notes.

RECREATION AND PARKS COMMISSION
of
Maryville, Alcoa, and Blount County
Maryville, Tennessee
SCHEDULE OF INSURANCE IN FORCE
June 30, 2014

<u>Insurance Company/Agency</u>	<u>Policy Number</u>	<u>Period</u>	<u>Description</u>
TML Risk Management Pool	TMP-0699	7-12-13 to 7-12-14	\$50,000 Contents coverage at 80% co-insurance – Everett Rec. Center, 318 So. Everett High Road \$80,000 Contents coverage at 80% co-insurance – Bldgs. On Birchfield St., (Senior Citizens Center) \$85,000 Contents coverage at 80% co-insurance -Bldg. at 316 Everett High Rd. \$50,000 Contents coverage at 80% co-insurance - Bldg. at 614 Evan Cir. \$5,000 Contents coverage at 80% co-insurance – Bldg. on Dalton St. \$40,000 Contents coverage at 80% co-insurance – MLK Bldg. At 209 E. Franklin Street
The Ohio Casualty Insurance Company/Crum & Blazer Insurance, Inc.	91383710	10-25-13 to 10-25-14	\$10,000 Surety Bond, Recreation and Parks Dir., Superintendent of Recreation, Accounting Technician, Assistant Director of Athletics and Secretary. Senior Citizens: Dir., Assistant Dir., and Clerk
Tennessee Municipal League Pool	TML-362	12-31-12 to 12-31-15	\$600,000 Public Officials Personal Liability; \$250,000 General Liability - Bodily Injury, Property Damage, Automobile
Tennessee Municipal League Pool	WC-0347	7-1-13 to 7-1-16	Statutory Workmen's Compensation

See accompanying independent auditors' report and notes.

RECREATION AND PARKS COMMISSION

of

Maryville, Alcoa, and Blount County
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



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December 5, 2014

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*

Commissioners and Director
Recreation and Parks Commission
of Maryville, Alcoa, and Blount County
Maryville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Recreation and Parks Commission of Maryville, Alcoa, and Blount County as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated December 5, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 Commission'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