

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

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

Year Ended June 30, 2015

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

Financial Statements and Supplementary Information  
Year Ended June 30, 2015

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**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY  
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**  
Year Ended June 30, 2015

**OFFICERS AND BOARD MEMBERS**

Officers

Bryan T. Daniels  
Bruce Kerr

President and CEO  
Director of Accounting and HR

Board Members

Fred Lawson  
Matt Murray  
Gary Hensley

Chairman  
Vice Chairman  
Secretary Treasurer

Other Board Members

Chuck Alexander  
David Black  
Ed Mitchell  
Greg McClain

Joe Dawson  
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

Telephone  
865-984-1040  
Facsimile  
865-982-1665

## 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, 2015, 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, 2015, 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 23 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2016, 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

January 13, 2016

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

Year Ended June 30, 2015

**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, 2015. 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>2015</u>	<u>2014</u>
Intergovernmental	\$ 3,267,184	\$ 1,505,659
Grant revenues	3,099,620	3,370,560
Rental revenue	77,371	122,010
Miscellaneous	60,600	52,420
Interest income	<u>1,273</u>	<u>5,862</u>
Total funding	<u>\$ 6,506,048</u>	<u>\$ 5,056,511</u>

(Continued)

## NET POSITION

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

	<u>2015</u>	<u>2014</u>
Current assets	\$ 3,891,831	\$ 2,378,918
Other assets	639,709	677,144
Capital assets, net of depreciation	<u>73,653,033</u>	<u>71,672,170</u>
Total Assets	<u>78,184,573</u>	<u>74,728,232</u>
Current liabilities	875,928	896,494
Long-term liabilities	<u>29,290,559</u>	<u>27,584,753</u>
Total Liabilities	<u>30,166,487</u>	<u>28,481,247</u>
Net Position:		
Net investment in capital assets	52,682,988	51,708,980
Unrestricted (deficit)	<u>(4,664,902)</u>	<u>(5,461,995)</u>
Total Net Position	<u>\$ 48,018,086</u>	<u>\$ 46,246,985</u>
Total Revenues	\$ 6,506,048	\$ 5,056,511
Total Expenses	<u>4,734,947</u>	<u>5,474,112</u>
Change in Net Position	<u>\$ 1,771,101</u>	<u>\$ (417,601)</u>

Current assets experienced a net increase of \$3,456,341 as of June 30, 2015, compared to June 30, 2014. The increase is a result of the Board using less funds in the current fiscal year to fund operations.

Capital assets increased \$1,980,863 as of June 30, 2015, compared to June 30, 2014, primarily due to costs associated with capital projects during the year.

Current liabilities decreased \$20,566 as of June 30, 2015, compared to June 30, 2014, primarily due to the decrease in payables.

Long-term liabilities increased \$1,705,806 as of June 30, 2015, compared to June 30, 2014, primarily due to accrued interest and additional notes payable.

Net position increased \$1,771,101 as of June 30, 2015, compared to June 30, 2014. The increase is primarily due to an increase in intergovernmental revenue.

## CAPITAL ASSETS

At the fiscal year ended June 30, 2015, the Industrial Development Board had \$73,653,033 invested in capital assets, net of accumulated depreciation as outlined below, a 2.8% 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>2015</u>	<u>2014</u>
Land	\$ 41,803,452	\$ 39,542,362
Buildings and improvements	31,647,897	31,647,897
Construction in process	4,512,234	3,978,472
Vehicles	-	-
Equipment	-	-
Furniture, fixtures and equipment	-	-
Signs	<u>45,018</u>	<u>45,018</u>
Total capital assets	78,008,601	75,213,749
Less: accumulated depreciation	<u>(4,355,568)</u>	<u>(3,541,579)</u>
Capital assets, net of depreciation	<u>\$ 73,653,033</u>	<u>\$ 71,672,170</u>

(Continued)

## **CAPITAL ASSETS (Continued)**

Capital assets increased \$1,980,863 as of June 30, 2015, compared to June 30, 2014, 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, 2015, the Board had the following notes payable:

	<u>2015</u>	<u>2014</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	358,255	378,964
Citizens Bank of Blount County	417,564	-
Kirby, Bailey, Nicholson, Medders Note	<u>610,000</u>	<u>-</u>
Total notes payable	<u>\$ 20,970,045</u>	<u>\$ 19,963,190</u>

Notes payable increased by \$1,006,855 as of June 30, 2015, compared to June 30, 2014. The increase is due to the acquisition of notes payable during the fiscal year.

## **BUDGETS**

The variances between the originally adopted budget for the fiscal year ended June 30, 2015, 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, 2015

<b>ASSETS</b>	
Current Assets	
Cash	\$ 2,725,344
Receivables	
Accounts receivable	1,101,927
Lease payments receivable, current portion	<u>64,560</u>
Total Current Assets	<u>3,891,831</u>
Noncurrent Assets	
Capital Assets	
Nondepreciable assets	41,803,452
Depreciable assets, net	<u>31,849,581</u>
Net Capital Assets	<u>73,653,033</u>
Other Assets	
Accounts receivable	
Lease payments receivable, net of current portion	591,800
Other assets	<u>47,909</u>
Total Other Assets	<u>639,709</u>
Total Noncurrent Assets	<u>74,292,742</u>
Total Assets	<u>78,184,573</u>
Deferred Outflows of Resources	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>78,184,573</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	
Current Liabilities	
Accounts payable and accrued expenses	86,339
Due to Blount County, Tennessee	486,276
Lease payments, current portion	64,560
Notes payable, due within one year	<u>238,753</u>
Total Current Liabilities	<u>875,928</u>
Non-current Liabilities	
Lease payments, long-term portion	591,800
Accrued interest	7,967,467
Notes payable, due after one year	<u>20,731,292</u>
Total Noncurrent Liabilities	<u>29,290,559</u>
Total Liabilities	<u>30,166,487</u>
Deferred Inflows of Resources	<u>-</u>
<b>NET POSITION</b>	
Net investment in capital assets	52,682,988
Unrestricted (deficit)	<u>(4,664,902)</u>
Total Net Position	<u>\$ 48,018,086</u>

See accompanying independent auditors' report and notes.

**INDUSTRIAL DEVELOPMENT BOARD OF BLOUNT COUNTY  
AND THE CITIES OF ALCOA AND MARYVILLE, TENNESSEE**  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2015

<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	<u>\$4,734,947</u>	<u>\$ 77,371</u>	<u>\$ 3,099,620</u>	<u>\$ (1,557,956)</u>
Total Government	<u>\$4,734,947</u>	<u>\$ 77,371</u>	<u>\$ 3,099,620</u>	<u>\$ (1,557,956)</u>
General Revenue:				
Intergovernmental receipts.....				3,267,184
Interest income.....				1,273
Miscellaneous revenue.....				<u>60,600</u>
Total General Revenues.....				<u>3,329,057</u>
Change in Net Position .....				1,771,101
Net Position at the Beginning of the Year .....				<u>46,246,985</u>
Net Position at the End of the Year .....				<u>\$ 48,018,086</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, 2015

	<u>General</u>	<u>Sales Development</u>	<u>Total</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Current Assets			
Cash and cash equivalents	\$ 579,059	\$ 2,146,285	\$ 2,725,344
Accounts receivable	<u>-</u>	<u>1,101,927</u>	<u>1,101,927</u>
Total Current Assets	579,059	3,248,212	3,827,271
Other assets	-	47,909	47,909
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 579,059</u>	<u>\$ 3,296,121</u>	<u>\$ 3,875,180</u>
<b>LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>			
Current Liabilities			
Accounts payable and accrued expenses	\$ -	\$ 86,339	\$ 86,339
Due to primary government	<u>-</u>	<u>486,276</u>	<u>486,276</u>
Total Current Liabilities	<u>-</u>	<u>572,615</u>	<u>572,615</u>
Non-current Liabilities			
Accrued interest	<u>-</u>	<u>7,967,467</u>	<u>7,967,467</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances			
Unassigned (deficit)	<u>579,059</u>	<u>(5,243,961)</u>	<u>(4,664,902)</u>
Total Fund Balances	<u>579,059</u>	<u>(5,243,961)</u>	<u>(4,664,902)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 579,059</u>	<u>\$ 3,296,121</u>	<u>\$ 3,875,180</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, 2015

Total Fund Balances – Government Funds (deficit)	\$ (4,664,902)
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 \$78,008,601 and accumulated depreciation is \$4,355,568 as of June 30, 2015.	73,653,033
Notes payable are not financial obligations of the current period and therefore are not reported as liabilities in the governmental funds balance sheet. In the statement of net position, the liability for notes payable are reflected.	<u>(20,970,045)</u>
Total Net Position – Governmental Activities	<u>\$ 48,018,086</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  
For the Fiscal Year Ended June 30, 2015

	<u>General</u>	<u>Sales Development</u>	<u>Total</u>
<b>REVENUES</b>			
Intergovernmental	\$ 829,935	\$ 2,437,249	\$ 3,267,184
Grant revenues	-	3,099,620	3,099,620
Interest earned	1,073	200	1,273
Rent	-	77,371	77,371
Other	<u>57,000</u>	<u>3,600</u>	<u>60,600</u>
Total Revenues	<u>888,008</u>	<u>5,618,040</u>	<u>6,506,048</u>
<b>EXPENDITURES</b>			
Current	838,343	2,060,940	2,899,283
Capital outlay	-	2,794,854	2,794,854
Debt Service			
Principal	-	1,078,145	1,078,145
Interest	<u>-</u>	<u>1,021,673</u>	<u>1,021,673</u>
Total Expenditures	<u>838,343</u>	<u>6,955,612</u>	<u>7,793,955</u>
Excess of Revenue Over (Under) Expenditures	49,665	(1,337,572)	(1,287,907)
Other Financing Sources:			
Issuance of Debt	<u>-</u>	<u>2,085,000</u>	<u>2,085,000</u>
Net Change in Fund Balance	49,665	747,428	797,093
Fund Balances, at the Beginning of the Year (deficit)	<u>529,394</u>	<u>(5,991,389)</u>	<u>(5,461,995)</u>
Fund Balances, at the End of the Year (deficit)	<u>\$ 579,059</u>	<u>\$ (5,243,961)</u>	<u>\$ (4,664,902)</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, 2015

Changes in Fund Balances – Governmental Funds	\$ 797,093
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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.</p>	
Current Year Capital Outlay Capitalized	2,794,853
Current Year Depreciation Expense on Capitalized Assets	(813,990)
<p>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.</p>	
Note Proceeds	(2,085,000)
Current Year Principal Payments Shown as Expenditures	<u>1,078,145</u>
Change in Net Position – Government Activities	<u>\$ 1,771,101</u>

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, 2015

**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, 2015

**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, 2015

**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, 2015. 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, 2015

**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. Program revenues include operating grants and contributions, rental receipts, and intergovernmental receipts.

**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, 2015

**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, 2015, 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, 2015, 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, 2015, is summarized as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Carrying Amount</u>
Checking account:			
First Tennessee	0.59%	N/A	\$ 2,637,674
Capital Bank	0.10%	N/A	23,116
BB&T	0.01%	N/A	<u>64,554</u>
 Total cash			 <u>\$ 2,725,344</u>

(Continued)

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

Notes to Financial Statements (Continued)

June 30, 2015

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Balance at July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2015</u>
Nondepreciable assets:				
Land	\$ 39,542,362	\$ 2,261,091	\$ -	\$ 41,803,453
Construction in progress	<u>3,978,472</u>	<u>533,761</u>	<u>-</u>	<u>4,512,233</u>
Total nondepreciable assets	<u>43,520,834</u>	<u>2,794,852</u>	<u>-</u>	<u>46,315,686</u>
Depreciable assets:				
Buildings and improvements	31,647,897	-	-	31,647,897
Signs	<u>45,018</u>	<u>-</u>	<u>-</u>	<u>45,018</u>
Total depreciable assets	<u>31,692,915</u>	<u>-</u>	<u>-</u>	<u>31,692,915</u>
Total assets at historical cost	<u>75,213,749</u>	<u>2,794,852</u>	<u>-</u>	<u>78,008,601</u>
Less: accumulated depreciation				
Buildings and improvements	(3,510,680)	(811,523)	-	(4,322,203)
Signs	<u>(30,899)</u>	<u>(2,466)</u>	<u>-</u>	<u>(33,365)</u>
Total accumulated depreciation	<u>(3,541,579)</u>	<u>(813,989)</u>	<u>-</u>	<u>(4,355,568)</u>
Governmental Activities Capital assets, net	<u>\$ 71,672,170</u>	<u>\$ 1,980,863</u>	<u>\$ -</u>	<u>\$ 73,653,033</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
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

(Continued)

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

Notes to Financial Statements (Continued)

June 30, 2015

**NOTE 5 – NOTES PAYABLE (Continued)**

Notes Payable consists of the following notes (Continued):

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	358,255
Note payable to Citizens Bank of Blount County with interest at 3.875%, payments due monthly of \$7,559, including interest, maturing July 2020 collateralized by property	417,564
Note payable, due to Kirby, Bailey, Nicholson, and Medders, with interest at 5.5%, payments due yearly from \$173,325 to \$128,710, including Interest, maturing January 2020	<u>610,000</u>
	20,970,045
Less: amounts due within one year	<u>(238,753)</u>
Amounts due after one year	<u><u>\$ 20,731,292</u></u>

Changes in notes payable (including current portions) for the year ended June 30, 2015 were as follows:

	<u>Balance at July 1, 2014</u>	<u>Issued During Fiscal Year</u>	<u>Debt Retired</u>	<u>Balance at June 30, 2015</u>
Notes Payable	<u>\$ 19,963,190</u>	<u>\$ 2,085,000</u>	<u>\$ 1,078,145</u>	<u>\$ 20,970,045</u>

Future debt service requirements as of June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total</u>
2016	\$ 238,753	\$ 1,042,915	\$ 1,281,668
2017	535,925	1,025,643	1,561,568
2018	204,942	1,007,108	1,212,050
2019	208,230	997,110	1,205,340
2020	190,866	1,007,764	1,198,630
2021-2025	7,103	4,896,078	4,903,181
2026-2030	-	4,896,055	4,896,055
2031-2035	-	4,896,055	4,896,055
2036-2040	-	4,896,055	4,896,055
2041-2045	-	4,896,055	4,896,055
2046-2050	-	4,896,055	4,896,055
2051-2055	-	4,896,055	4,896,055
2056	<u>19,584,226</u>	<u>979,211</u>	<u>20,563,437</u>
	<u>\$ 20,970,045</u>	<u>\$ 40,332,159</u>	<u>\$ 61,302,204</u>

(Continued)

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

Notes to Financial Statements (Continued)

June 30, 2015

**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. The principal balances outstanding as of June 30, 2015 totaled \$36,142,157.

**NOTE 7 – FUND BALANCES**

Following is schedule of fund balances as of June 30, 2015:

General Fund:	
Unassigned	\$ 579,059
Sales Development Fund	
Unassigned (deficit)	<u>(5,243,961)</u>
Total Unassigned (deficit)	<u>\$ (4,664,902)</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	\$ 656,360
Less: current portion	<u>(64,560)</u>
Amount receivable after one year	<u>\$ 591,800</u>

(Continued)

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

Notes to Financial Statements (Continued)

June 30, 2015

**NOTE 9 – CAPITAL LEASES (Continued)**

Future minimum lease payments receivable as of June 30, 2015 are as follows:

2016	\$ 64,560
2017	64,560
2018	64,560
2019	64,560
2020	64,560
2021-2025	322,800
2026	<u>10,760</u>
	<u>\$ 656,360</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, 2015:

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 Fans of the Mountain, LLC. The Board sold the property under an installment note for \$441,353. Proceeds from the sale are to be paid back to Blount County (the "County") within ten days of receipt. The agreement was entered into on January 13, 2015, and the payments due to the Board include two annual payments of \$25,000 beginning in January 2016 and a final payment of \$391,353 in January 2018. 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, 2015 is \$441,353.

(Continued)

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

Notes to Financial Statements (Continued)

June 30, 2015

**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 or resources, and net position in a statement of financial position and also requires related disclosures. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

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

**NOTE 13 – SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2015, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is January 13, 2016, 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, 2015

**SUPPLEMENTARY INFORMATION**

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

For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Intergovernmental Revenues				
Blount County	\$ 364,471	\$ 364,471	\$ 366,471	\$ 2,000
City of Alcoa	183,236	183,236	186,236	3,000
City of Maryville	183,236	183,236	187,228	3,992
Knox County	-	-	90,000	90,000
Interest	-	-	1,073	1,073
Miscellaneous	-	-	10,001	10,001
FTZ receipts	45,300	45,300	41,700	(3,600)
Community Dues	-	-	5,299	5,299
Total revenues	<u>776,243</u>	<u>776,243</u>	<u>888,008</u>	<u>111,765</u>
Expenditures				
Marketing				
Internet	50,000	7,000	5,413	1,587
Printed materials	12,500	45,500	44,393	1,107
UK marketing	15,000	17,000	16,559	441
Prospect development	107,000	135,000	133,923	1,077
Site selector visits	17,500	2,500	2,007	493
Synchronist/GIS	12,000	9,000	9,000	-
Office Operations				
Office supplies	2,000	2,000	1,440	560
Postage	3,000	1,200	1,081	119
Telephone	8,500	1,500	1,050	450
Equipment purchases	6,500	500	-	500
Office rent	50,300	50,300	50,300	-
Dues and subscriptions	13,950	11,950	11,763	187
Audit	14,020	12,020	11,400	620
Accounting	7,000	5,750	5,133	617
Computer operations	6,000	4,000	4,000	-
Legal	10,818	5,818	4,653	1,165
Renovations	20,000	20,000	19,052	948
Administrative				
Blount County staff	370,907	375,907	375,907	-
Transportation	6,000	6,000	5,925	75
Staff training	6,000	8,000	7,998	2
Recruiting trip	20,000	32,000	31,653	347
Miscellaneous	-	150	150	-
European Staff	40,000	40,000	39,345	655
Partnership expenses	-	14,500	14,498	2
FTZ Disbursements	<u>45,300</u>	<u>41,700</u>	<u>41,700</u>	<u>-</u>
Total expenditures	<u>844,295</u>	<u>849,295</u>	<u>838,343</u>	<u>10,952</u>
Net change in fund balance	(68,052)	(73,052)	49,665	122,717
Fund Balance, at the Beginning of the Year	<u>529,394</u>	<u>529,394</u>	<u>529,394</u>	<u>-</u>
Fund Balance, at the End of the Year	<u>\$ 461,342</u>	<u>\$ 456,342</u>	<u>\$ 579,059</u>	<u>\$ 122,717</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  
For the Fiscal Year Ended June 30, 2015

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable <u>(Unfavorable)</u>
Revenues				
Intergovernmental Revenues				
Blount County	\$ 540,550	\$ 540,550	\$ 517,152	\$ (23,398)
City of Alcoa	382,141	382,141	416,947	34,806
City of Maryville	186,800	936,800	963,150	26,350
Knox County	-	-	540,000	540,000
Grant revenue	-	1,854,600	3,099,620	1,245,020
Chamber funding	11,000	11,000	-	(11,000)
Rent	62,741	62,741	77,371	14,630
Interest income	-	-	200	200
Miscellaneous	-	-	3,600	3,600
Total Revenues	<u>1,183,232</u>	<u>3,787,832</u>	<u>5,618,040</u>	<u>1,830,208</u>
Expenditures				
Current				
Administration and finance	55,560	45,460	40,424	5,036
Blount County Industrial Park	-	31,000	29,307	1,693
Stock Creek Development Center	27,000	57,000	54,893	2,107
Big Springs Park	13,000	25,500	23,587	1,913
Partnership Park North	3,000	3,000	2,881	119
Partnership Park South	9,000	25,000	21,789	3,211
Research and Development Park	69,200	73,800	72,468	1,332
Hilton Project	-	150	-	150
IV Inc (regional Tech Consult)	15,000	15,000	9,000	6,000
ETEDA	50	150	-	150
Industrial Park Insurance	3,000	3,000	2,114	886
Engineering	5,000	25,000	19,183	5,817
Legal	2,000	7,000	4,531	2,469
Fuel	3,000	3,000	3,000	-
Training	50,000	5,000	4,364	636
Marketing	58,000	58,000	20,896	37,104
Alcoa, Inc. 2014 TN Pass Thru Grant	-	-	1,746,503	(1,746,503)
Mowing maintenance	6,000	6,000	6,000	-
Miscellaneous	1,000	1,000	-	1,000
Total Current Expenditures	<u>319,810</u>	<u>384,060</u>	<u>2,060,940</u>	<u>(1,676,880)</u>
Capital Outlay				
Construction in progress	601,746	2,481,746	533,763	1,947,983
Land	-	2,262,000	2,261,091	909
Total Capital Outlay	<u>601,746</u>	<u>4,743,746</u>	<u>2,794,854</u>	<u>1,948,892</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)  
For the Fiscal Year Ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Expenditures				
Debt Service				
Retirement of debt	396,879	1,146,879	1,078,145	68,734
Interest expense	<u>979,213</u>	<u>979,213</u>	<u>1,021,673</u>	<u>(42,460)</u>
Total Debt Services	<u>1,376,092</u>	<u>2,126,092</u>	<u>2,099,818</u>	<u>26,274</u>
Total Expenditures	<u>2,297,648</u>	<u>7,253,898</u>	<u>6,955,612</u>	<u>298,286</u>
Excess revenues over (under) expenditures	(1,114,416)	(3,466,066)	(1,337,572)	2,128,494
Other Financing Sources				
Issuance of Debt	<u>-</u>	<u>-</u>	<u>2,085,000</u>	<u>2,085,000</u>
Net change in fund balance	(1,114,416)	(3,466,066)	747,428	4,213,494
Fund Balance, at the Beginning of the Year (Deficit)	<u>(5,991,389)</u>	<u>(5,991,389)</u>	<u>(5,991,389)</u>	<u>-</u>
Fund Balance, at the END of the Year (Deficit)	<u>\$ (7,105,805)</u>	<u>\$ (9,457,455)</u>	<u>\$ (5,243,961)</u>	<u>\$ 4,213,494</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, 2015

Fiscal Year Ending June 30,	First Tennessee Bank			Knox County		
	Principal	DCS Project Interest	Total	Principal	Research and Development Park Interest	Total
2016	\$ 24,112	\$ 15,311	\$ 39,423	\$ -	\$ 250,000	\$ 250,000
2017	334,143	8,665	342,808	-	250,000	250,000
2018	-	-	-	-	250,000	250,000
2019	-	-	-	-	250,000	250,000
2020	-	-	-	-	250,000	250,000
2021-2025	-	-	-	-	1,250,000	1,250,000
2026-2030	-	-	-	-	1,250,000	1,250,000
2031-2035	-	-	-	-	1,250,000	1,250,000
2036-2040	-	-	-	-	1,250,000	1,250,000
2041-2045	-	-	-	-	1,250,000	1,250,000
2046-2050	-	-	-	-	1,250,000	1,250,000
2051-2055	-	-	-	-	1,250,000	1,250,000
2056	-	-	-	<u>5,000,000</u>	<u>250,000</u>	<u>5,250,000</u>
Totals	<u>\$ 358,255</u>	<u>\$ 23,976</u>	<u>\$ 382,231</u>	<u>\$5,000,000</u>	<u>\$10,250,000</u>	<u>\$15,250,000</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ -	\$ 729,211	\$ 729,211
2017	-	729,211	729,211
2018	-	729,211	729,211
2019	-	729,211	729,211
2020	-	729,211	729,211
2021-2025	-	3,646,055	3,646,055
2026-2030	-	3,646,055	3,646,055
2031-2035	-	3,646,055	3,646,055
2036-2040	-	3,646,055	3,646,055
2041-2045	-	3,646,055	3,646,055
2046-2050	-	3,646,055	3,646,055
2051-2055	-	3,646,055	3,646,055
2056	<u>14,584,226</u>	<u>729,211</u>	<u>15,313,437</u>
Totals	<u>\$ 14,584,226</u>	<u>\$29,897,651</u>	<u>\$44,481,877</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, 2015

Fiscal Year Ending June 30,	<u>Kirby, Bailey, Nicholson, Medders Note</u>			<u>Citizens Bank of Blount County</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 138,775	\$ 33,550	\$ 172,325	\$ 75,866	\$ 14,843	\$ 90,709
2017	122,923	25,917	148,840	78,859	11,850	90,709
2018	122,973	19,157	142,130	81,969	8,740	90,709
2019	123,027	12,393	135,420	85,203	5,506	90,709
2020	102,302	26,408	128,710	88,564	2,145	90,709
2021	-	-	-	7,103	23	7,126
Totals	<u>\$ 610,000</u>	<u>\$ 117,425</u>	<u>\$ 727,425</u>	<u>\$ 417,564</u>	<u>\$ 43,107</u>	<u>\$ 460,671</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, 2015

<u>Fiscal Year Ending June 30,</u>	<u>DCS Electronics Inc.</u>
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>\$ 656,360</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  
For the Fiscal Year Ended June 30, 2015

<u>Program Name</u>	<u>State Agency</u>	<u>CFDA or State Grant Number</u>	<u>(Receivable) Deferred</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>(Receivable) Deferred</u>
<b><u>State Awards:</u></b>						
Fasttrack Infrastructure Development	TN Dept. of Economics and Community Development	33006-15414	\$ -	\$ 2,478,209	\$ 2,478,209	\$ -
Fasttrack Infrastructure Development	TN Dept. of Economics and Community Development	33006-94013	(18,545)	225,819	207,274	-
<b><u>Federal Awards:</u></b>						
Economic Adjustment Program/ Road Improvements	U.S. Department Of Commerce	11.307	-	414,137	414,137	-
<b>TOTALS</b>			<u>\$ (18,545)</u>	<u>\$ 3,118,165</u>	<u>\$ 3,099,620</u>	<u>\$ -</u>

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

See accompanying independent auditors' report and notes.



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

Telephone  
865-984-1040  
Facsimile  
865-982-1665

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, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated January 13, 2016.

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

January 13, 2016