

**SEVIERVILLE/SEVIER COUNTY
JOINT VENTURE**

**BASIC FINANCIAL STATEMENTS
WITH REQUIRED SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2015

and

INDEPENDENT AUDITOR'S REPORT

SEVIERVILLE/SEVIER COUNTY JOINT VENTURE
BASIC FINANCIAL STATEMENTS
WITH REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2015

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INTRODUCTORY SECTION

SEVIERVILLE/SEVIER COUNTY JOINT VENTURE

STADIUM ADVISORY BOARD

June 30, 2015

Members of the Stadium Advisory Board are as follows:

Phil Campbell	Chairman
Jim Ogle	Vice-Chairman
Lynn McClurg	Member
Allen Newton	Member
Greg Patterson	Member
George Seaton	Member
Butch Stott	Member

FINANCIAL SECTION

BROWN JAKE & McDANIEL, PC

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JAMES E. BOOHER, CPA, CGMA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Stadium Advisory Board
Sevierville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, governmental funds and the major fund (General Fund) of the Sevierville/Sevier County Joint Venture as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Joint Venture'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 the 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, the major governmental fund (General Fund), and the respective operating budgetary comparison for the General Fund 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 - 8 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2016, on our consideration of the Sevierville/Sevier County Joint Venture's internal control over financial reporting and on our tests of its compliance with certain provision 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 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 Sevierville/Sevier County Joint Venture's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Brian Lake & McDaniel, PC". The signature is written in a cursive, flowing style.

Knoxville, Tennessee
March 28, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Sevierville/Sevier County Joint Venture (the Joint Venture) financial performance provides an overview of the Joint Venture's financial activities (stadium operations) for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the Joint Venture's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Joint Venture's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2015 are as follows:

Governmental-Type Activities

The total net position increased by \$39,134 for the year ended June 30, 2015. Revenues increased in comparison to 2014 as charges for services resulted in a profit due to special events while general revenues increased also due to more local and state sales tax collections. Expenses increased due to increased expenses related to stadium maintenance services and depreciation expense. Other activities related to revenues and expenses were considered normal and comparable to prior years.

Fund Financial Statements

The Joint Venture has one fund requiring major status display in the basic financial statements, the General Fund. The General Fund reflects the majority of the Joint Venture's financial activity (stadium operations). The General Fund's total assets represent 100% of the governmental funds total assets and the general fund reflects 100% of the Joint Venture's governmental revenue sources. The General Fund's fund balance at the end of the fiscal year totaled \$1,028,893 or 172% of General Fund expenditures and transfers for the year. This demonstrates the Joint Venture's fiscal discipline and places the Joint Venture in a strong financial position to meet unexpected emergencies, future capital outlay requirements and any general weakness in the economy.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Joint Venture as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the Joint Venture, presenting both an aggregate view of the Joint Venture's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Joint Venture's most significant funds with all other nonmajor funds presented in one column. The Joint Venture only had one fund, the General Fund.

REPORTING THE JOINT VENTURE AS A WHOLE

The *Statement of Net Position* and the *Statement of Activities*

While this document contains the funds used by the Joint Venture to provide programs and activities, the view of the Joint Venture as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The *Statement of Net Position* and the *Statement of Activities* 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. This basis of accounting as applied takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Joint Venture's net position and changes in net position. This change in net position is important because it tells the reader that, for the Joint Venture as a whole, the financial position of the Joint

Venture has improved or diminished. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the Joint Venture's tax base, facility condition and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, the Joint Venture reports its governmental activities. Governmental activities are the activities where most of the Joint Venture's programs and services are reported, including, but not limited to, general services, stadium activities, and maintenance of stadium facilities and related recreation activities. The Sevierville/Sevier County Joint Venture has no business-type activities.

REPORTING THE JOINT VENTURE'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Fund financial reports provide detailed information about the Joint Venture's major funds. The Joint Venture uses one fund to account for its financial transactions. The Joint Venture's major and only governmental fund is the General Fund.

Governmental Funds

All of the Joint Venture's activities are reported in a governmental fund, which focuses on how money flows into and out of this fund and the balance left at year-end that is available for spending in future periods. This fund is reported using modified accrual method of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Joint Venture's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance Joint Venture general services. The relationship (or differences) between governmental activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements.

THE JOINT VENTURE AS A WHOLE

The *Statement of Net Position* provides the perspective of the Joint Venture as a whole. Table 1 provides a summary of the Sevierville/Sevier County Joint Venture's net position for 2015 and 2014.

Table 1
Net Position

	Governmental-Type Activities	
	2015	2014
<u>ASSETS</u>		
Current and other assets	\$ 1,125,585	\$ 981,588
Capital assets	1,500,966	1,539,117
Total assets	<u>\$ 2,626,551</u>	<u>\$ 2,520,705</u>
<u>LIABILITIES</u>		
Long-term liabilities	\$ -	\$ -
Other liabilities	84,966	18,632
Total liabilities	<u>\$ 84,966</u>	<u>\$ 18,632</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred revenue	<u>\$ 11,727</u>	<u>\$ 11,349</u>
<u>NET POSITION</u>		
Investment in capital assets	\$ 1,500,966	\$ 1,539,117
Unrestricted	1,028,892	951,607
Total net position	<u>\$ 2,529,858</u>	<u>\$ 2,490,724</u>

Table 2 provides a summary of the Sevierville/Sevier County Joint Venture's changes in net assets for 2015 and 2014

Table 2
Changes in Net Position

	Governmental-Type Activities	
	2015	2014
Revenue:		
Program revenue:		
Operating grants and contributions	\$ -	\$ -
Capital grants and contributions	-	-
Charges for services	32,758	(30,224)
General revenue:		
Taxes:		
Local sales taxes	90,648	84,926
Intergovernmental revenues	188,195	171,051
Other revenues	364,511	365,929
Total revenue	676,112	591,682
Program expenses:		
Stadium operations	636,978	598,074
Total program expenses	636,978	598,074
Change in net position	39,134	(6,392)
Beginning net position	2,490,724	2,497,116
Ending net position	\$2,529,858	\$2,490,724

Governmental-Type Activities

Local and state sales taxes make up 41 percent of total revenues; other revenues, consisting primarily of stadium rental make up 54 percent of total revenues; and charges for services make up 5 percent of total revenues for 2015. These revenue percentages are comparable to prior year activities with some increases, except charges for services which experienced profit on some concert and other events sponsored during the year while having losses from most events in 2014. All expenses in 2015 and 2014 are for the operations of the stadium facility. The 2015 expenses increased due to higher contractual personnel expense, stadium maintenance expenses and depreciation expense when compared to 2014.

The *Statement of Activities* shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by local sales tax revenue, State Intergovernmental Sales Tax and other general revenues.

Table 3
Total Cost of Services

	Total Cost of Services		Net Cost (Benefit) of Services	
	2015	2014	2015	2014
Stadium operations	\$ 636,978	\$ 598,074	\$ 604,220	\$ 628,298
	\$ 636,978	\$ 598,074	\$ 604,220	\$ 628,298

Stadium Operations includes activities of Joint Venture's operations of a multi-use stadium facility for the play of minor league baseball, other sporting events, concerts and exhibits, and other events. These expenses include staffing, utilities, maintenance and repairs, and other expenses.

THE JOINT VENTURE'S FUNDS

Information about the Joint Venture's major fund (General Fund) is detailed in the Fund Financial Statements Section of the financial statements. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$676,112 and expenditures of \$598,826. The revenues exceeded expenses by \$77,286.

As the Joint Venture completed the year, its governmental fund had a fund balance of \$1,028,893 in 2015 as compared to \$951,607 in 2014. The increase in fund balance was due to less capital outlay expenditures for improvements to the stadium facilities in 2015 and increases in general revenues. When compared to normal annual expenditures for governmental operations, we consider our fund balance to place the Joint Venture in a very strong financial position to carry out its mission.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Joint Venture's operating budget is prepared annually and approved by the Board. The budget is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The only fund budget is the General Fund. There was one budget change during 2015 fiscal year for capital expenditures. The budget approved for the General Fund for the fiscal year ending June 30, 2016 is comparable to 2015 with increases in the capital outlay budget amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – Governmental-Type Activities

At the end of fiscal years 2015 and 2014, the Joint Venture had \$1,500,966 and \$1,539,117, respectively, invested in land, buildings and improvements, machinery and equipment, and infrastructure. Table 4 shows fiscal 2015 and 2014 balances.

Table 4
Capital Assets (Net of Depreciation) at June 30

Governmental-Type Activities		
	2015	2014
Capital assets not being depreciated: Land	\$ -	\$ -
Capital assets, being depreciated:		
Land and improvements	1,104,994	1,102,086
Buildings and improvements	1,158,371	1,050,795
Machinery and equipment	156,247	156,247
Furniture and signage	146,785	146,785
	<u>2,566,397</u>	<u>2,455,913</u>
	2,566,397	2,455,913
Less: accumulated depreciation	<u>1,065,431</u>	<u>916,796</u>
Governmental activities capital assets, net of depreciation	<u>\$ 1,500,966</u>	<u>\$ 1,539,117</u>

Debt Administration

The Joint Venture has not historically issued long-term debt for the acquisition of major equipment or vehicles and has no current plans to issue long-term debt as the Joint Venture participants have issued long-term debt for major stadium construction or improvements.

CURRENT FINANCIAL ISSUES AND CONCERNS

Governmental-Type Activities

The Sevierville/Sevier County Joint Venture is located in the northeastern part of the State of Tennessee in Sevierville, Tennessee. It derives some economic benefit from the tremendous tourist activity created by the Great Smoky Mountains National Park and its stadium location adjacent to US Interstate 40. The National Park, which is located in the center of the eastern half of the United States, is readily accessible to 70% of the country's population, and each year draws the largest attendance of any of the national parks. Tourist and recreational facilities in Sevierville, Gatlinburg and Pigeon Forge also generate tourist travel into the stadium area. The current focus of management of the Joint Venture is maintaining the current stadium facilities and attracting special events for the stadium facilities to increase economic activity in Sevierville and Sevier County.

CONTACTING THE JOINT VENTURE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Sevierville/Sevier County Joint Venture's finances and to show the Joint Venture's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lynn McClurg, Finance Director of the City of Sevierville, P.O. Box 5500, Sevierville, TN 37864.

SEVIERVILLE/SEVIER COUNTY JOINT VENTURE

STATEMENT OF NET POSITION

June 30, 2015

<u>Assets</u>	<u>Governmental Activities</u>	<u>Total</u>
Current assets:		
Cash and cash equivalents	\$ 880,250	\$ 880,250
Accounts receivable	24,208	24,208
Due from other governments	122,397	122,397
Prepaid expenses	98,730	98,730
Total current assets	<u>1,125,585</u>	<u>1,125,585</u>
Capital assets:		
Depreciable capital assets	2,566,397	2,566,397
Less: Accumulated depreciation	<u>(1,065,431)</u>	<u>(1,065,431)</u>
Total capital assets	<u>1,500,966</u>	<u>1,500,966</u>
Total assets	<u>2,626,551</u>	<u>2,626,551</u>
 <u>Liabilities, Deferred Inflows of Resources and Net Position</u>		
Current liabilities:		
Accounts payable	82,497	82,497
Event deposits	2,469	2,469
Total current liabilities	<u>84,966</u>	<u>84,966</u>
Total liabilities	<u>84,966</u>	<u>84,966</u>
Deferred inflows of resources:		
Deferred revenue	<u>11,727</u>	<u>11,727</u>
Net position:		
Investment in capital assets	1,500,966	1,500,966
Unrestricted	<u>1,028,892</u>	<u>1,028,892</u>
Total net position	<u>\$ 2,529,858</u>	<u>\$ 2,529,858</u>

The accompanying notes are an integral part of these financial statements.

SEVIERVILLE/SEVIER COUNTY JOINT VENTURE

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

	Program Revenues			Net Revenue (Expense) and Change in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<u>Functions/Programs</u>					
Primary government					
Governmental activities:					
Stadium operations	\$ 636,978	\$ 32,758	\$ -	\$ -	\$ (604,220)
Total governmental activities	<u>\$ 636,978</u>	<u>\$ 32,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(604,220)</u>
General revenues:					
Taxes:					
Local sales taxes					90,648
Intergovernmental revenues					188,195
Other revenues					<u>364,511</u>
Total general revenues					<u>643,354</u>
Change in net position					39,134
Net position - beginning					<u>2,490,724</u>
Net position - ending					<u>\$ 2,529,858</u>

The accompanying notes are an integral part of these financial statements.

SEVIERVILLE/SEVIER COUNTY JOINT VENTURE

BALANCE SHEETS - GOVERNMENTAL FUNDS

June 30, 2015

(With Comparative Totals for June 30, 2014)

	General Fund	Total Governmental Funds	
		2015	2014
<u>Assets</u>			
Cash and cash equivalents	\$ 880,250	\$ 880,250	\$ 873,387
Accounts receivable	24,208	24,208	11,349
Due from other governments	122,397	122,397	96,852
Prepaid expenses	98,730	98,730	-
Total assets	<u>\$ 1,125,585</u>	<u>\$ 1,125,585</u>	<u>\$ 981,588</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>			
Liabilities:			
Accounts payable	\$ 82,497	\$ 82,497	\$ 18,632
Event deposits	2,468	2,468	2,468
Total liabilities	<u>84,965</u>	<u>84,965</u>	<u>21,100</u>
Deferred inflows of resources:			
Deferred revenue	<u>11,727</u>	<u>11,727</u>	<u>11,349</u>
Total deferred inflows of resources	<u>11,727</u>	<u>11,727</u>	<u>11,349</u>
Fund balance:			
Non-spendable	98,730	98,730	-
Unassigned	<u>930,163</u>	<u>930,163</u>	<u>951,607</u>
Total fund balance	<u>1,028,893</u>	<u>1,028,893</u>	<u>951,607</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,125,585</u>	<u>\$ 1,125,585</u>	<u>\$ 984,056</u>

The accompanying notes are an integral part of these financial statements.

SEVIERVILLE/SEVIER COUNTY JOINT VENTURE
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION

June 30, 2015

Total fund balances--governmental funds	\$ 1,028,893
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$2,566,397 and the accumulated depreciation is \$1,065,431.	1,500,966
Rounding	<u>(1)</u>
Total net position--governmental activities	<u><u>\$ 2,529,858</u></u>

The accompanying notes are an integral
part of these financial statements.

SEVIERVILLE/SEVIER COUNTY JOINT VENTURE
 STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS

For the Year Ended June 30, 2015
 (With Comparative Totals for the Year Ended June 30, 2014)

	General Fund	Total Governmental Funds	
		2015	2014
Revenues:			
Local taxes	\$ 90,648	\$ 90,648	\$ 84,926
Intergovernmental revenue	188,195	188,195	171,051
Charges for services, net	32,758	32,758	(30,224)
Other revenues	364,511	364,511	365,929
Total revenues	676,112	676,112	591,682
Expenditures:			
Personal services	89,768	89,768	89,525
Contractual services	355,871	355,871	331,810
Supplies	1,223	1,223	335
Fixed charges	41,480	41,480	44,523
Capital outlays	110,484	110,484	367,384
Total expenditures	598,826	598,826	833,577
Net change in fund balance	77,286	77,286	(241,895)
Fund balance, beginning	951,607	951,607	1,193,502
Fund balance, ending	\$ 1,028,893	\$ 1,028,893	\$ 951,607

The accompanying notes are an integral
 part of these financial statements.

SEVIERVILLE/SEVIER COUNTY JOINT VENTURE

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

Total net changes in fund balances--governmental funds	\$ 77,286
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays (\$110,484) are exceeded by depreciation expense (\$148,636) in the period.	<u>(38,152)</u>
Changes in net position of governmental activities	<u>\$ 39,134</u>

The accompanying notes are an integral part of these financial statements.

SEVIERVILLE/SEVIER COUNTY JOINT VENTURE
 GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - OPERATING BUDGET AND ACTUAL

For the Year Ended June 30, 2015

	Original Budget	Final Budget	Actual
Revenues:			
Local taxes:			
Local option sales tax	\$ 70,000	\$ 70,000	\$ 90,648
Intergovernmental revenue:			
State sales tax	160,000	160,000	188,195
Charges for services:			
Parking lot collections, net of cost	30,000	30,000	20,433
Special events, net of cost	22,000	22,000	12,325
Total charges for services	52,000	52,000	32,758
Other revenues:			
Lease of property - stadium facility	300,000	300,000	300,000
Lease of property - automatic teller machines and other equipment	1,200	1,200	4,076
Lease of restaurant	60,000	60,000	60,000
Interest earnings	1,000	1,000	435
Total other revenues	362,200	362,200	364,511
Total revenues	644,200	644,200	676,112
Expenditures:			
Personnel services	89,768	89,768	89,768
Contractual services	355,900	355,900	355,871
Supplies	600	600	1,223
Fixed charges	42,000	42,000	41,480
Capital outlays	82,500	157,500	110,484
Total expenditures	570,768	645,768	598,826
Excess of revenues over (under) expenditures	73,432	(1,568)	77,286
Fund balance, beginning	951,607	951,607	951,607
Fund balance, ending	\$ 1,025,039	\$ 950,039	\$ 1,028,893

The accompanying notes are an integral
part of these financial statements.

SEVIERVILLE/SEVIER COUNTY JOINT VENTURE

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

1. Summary of Significant Accounting PoliciesGeneral Statement

The Sevierville/Sevier County Joint Venture is a joint venture between the City of Sevierville, Tennessee and Sevier County, Tennessee established for the purpose of the leasing, operation and management of a multi-use stadium facility and tourism welcome center located in Sevierville, Tennessee. The joint venture collects lease payments from the lessee for use of the stadium facility, parking lot and restaurant. The Joint Venture receives local and state sales tax collections pursuant to TCA 67-6-103(d) derived from the facility's sporting events. The Joint Venture is responsible for the maintenance of the facility. The City of Sevierville has a 70% undivided interest in this joint venture and Sevier County has a 30% undivided interest in this joint venture.

Financial Reporting Entity

The Joint Venture's basic financial statements include the accounts of all its operations.

Basis of Presentation

The Joint Venture follows provisions of Governmental Accounting Standards Board Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. The classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by borrowings/liabilities that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather that portion of the debt is included in the same net position component as the unspent proceeds. There were no related liabilities at June 30, 2015.

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions of enabling legislation.

Unrestricted net position – This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

The Joint Venture's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

SEVIERVILLE/SEVIER COUNTY JOINT VENTURE

NOTES TO FINANCIAL STATEMENTS
(Continued)1. Summary of Significant Accounting Policies (Continued)Basis of Presentation (Continued)**Government-Wide Financial Statements:**

The statement of net position and the statement of activities display information about the Joint Venture as a whole.

The statement of net position presents the financial condition of the governmental activities of the Joint Venture at year-end. The statement of activities presents a comparison between direct expenses and program revenues for its one program function, operation of a multi-use stadium facility.

Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Joint Venture. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Joint Venture.

Fund Financial Statements:

The Joint Venture segregates transactions related to its only function of activity in a separate fund in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Joint Venture at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column, if present. The Joint Venture has only one general fund for its functional purpose, which is presented as a major fund.

Governmental Funds:

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Joint Venture's major fund:

General Fund – The general fund is the general operating fund of the Joint Venture. It is used to account for all financial resources.

SEVIERVILLE/SEVIER COUNTY JOINT VENTURE

NOTES TO FINANCIAL STATEMENTS
(Continued)1. Summary of Significant Accounting Policies (Continued)Measurement Focus**Government-Wide Financial Statements:**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the Joint Venture are included on the statement of net position.

Fund Financial Statements:

The governmental fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of the governmental fund.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expense versus expenditure.

Revenues – Exchange and Nonexchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Joint Venture, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the Joint Venture receives value without directly giving equal value in return, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Joint Venture must provide local resources to be used for a specified purpose, and expenditure requirements, in which for the resources are provided to the Joint Venture on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

SEVIERVILLE/SEVIER COUNTY JOINT VENTURE

NOTES TO FINANCIAL STATEMENTS
(Continued)1. Summary of Significant Accounting Policies (Continued)Basis of Accounting (Continued)**Revenues – Exchange and Nonexchange Transactions (Continued):**

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: local sales taxes, charges for services, interest income and intergovernmental revenue.

Deferred Revenue:

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Fund Balances:

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" states that the objective is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Non-spendable, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, donors, grantors, or through enabling legislation,

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the governing bodies of the participating joint venture owners (the Joint Venture's highest level of decision making authority) and can be removed in a like manner,

Assigned fund balance classifications are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed; specific items allocated to or removed from this classification would require formal action of the governing bodies of the participating joint venture owners (the Joint Venture's highest level of decision making authority), and

SEVIERVILLE/SEVIER COUNTY JOINT VENTURE

NOTES TO FINANCIAL STATEMENTS
(Continued)1. Summary of Significant Accounting Policies (Continued)Basis of Accounting (Continued)**Fund Balances (Continued):**

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

If the Joint Venture has an expenditure that is incurred for purposes of multiple account classification, the Joint Venture's policy is to apply the expenditures in the following order: non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified.

It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund. As of June 30, 2015, all of the General Fund's fund balance was classified as unassigned fund balance.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Procedures and Budgetary Accounting

Prior to the beginning of the fiscal year, the Stadium Advisory Committee (as the authoritative body by decision of the governing boards of the participating owners) prepares and approves an operating budget. All supplemental changes must also be approved by the Advisory Committee. During the year ended June 30, 2015, the Joint Venture operated within the approved fund budget.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

SEVIERVILLE/SEVIER COUNTY JOINT VENTURE

NOTES TO FINANCIAL STATEMENTS
(Continued)1. Summary of Significant Accounting Policies (Continued)Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Joint Venture has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Recently Issued and Adopted Accounting Pronouncements

There were no recently issued accounting pronouncements which affected the current year financial statements of the Joint Venture.

Cash and Cash Equivalents

For purposes of these financial statements, the Joint Venture considers all highly liquid investments (including restricted assets) having an original maturity date of less than three months to be cash equivalents.

Lease Revenue/Receivable

Lease payments are recorded when they become due and payable under the lease contracts. Any amounts due under the contracts as of June 30, 2014, but not collected within 60 days after year end, have been recorded as deferred revenues and will be recognized as revenue when received.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost or estimated historical cost and updated for additions and retirements during the year. Donated capital assets are recorded at their estimated fair market values as of the date received. Net interest costs during construction periods are capitalized for assets acquired by the issuance of long-term debt. Major additions and improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset of materially extend an asset's life are charged to operations.

Governmental Activity

Governmental activities maintain a capitalization threshold of five hundred dollars.

SEVIERVILLE/SEVIER COUNTY JOINT VENTURE

NOTES TO FINANCIAL STATEMENTS

(Continued)

1. Summary of Significant Accounting Policies (Continued)Capital Assets (Continued)**Governmental Activity (Continued)**

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Useful Lives</u>
Land improvements	15 - 25 years
Buildings improvements	25 years
Furniture and fixtures	15 - 20 years
Machinery and equipment	5 - 15 years

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through March 28, 2016, which is the date these financial statements were available for distribution.

Comparative Data

Comparative totals for the prior year have been presented in some required supplementary information in order to provide an understanding of changes in financial position and operations. However, presentation of prior year totals by fund type has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

2. Cash and Cash Equivalents

At June 30, 2015, cash and cash equivalents consisted of two unrestricted checking accounts totaling \$376,650 and cash in a local government investment pool of \$503,600. The Joint Venture's checking accounts are held in the name of the City of Sevierville. These accounts were fully insured through the State of Tennessee Bank Collateral Pool. Investment policies of the Joint Venture follow state law and bond requirements prohibiting investments that are not secured or insured by the U.S. Government.

SEVIERVILLE/SEVIER COUNTY JOINT VENTURE

NOTES TO FINANCIAL STATEMENTS
(Continued)3. Accounts Receivable

Accounts receivable at June 30, 2015 consisted of the following:

Parking lot collections	\$ 11,727
Restaurant lease payments	10,000
Other rentals	<u>2,481</u>
	<u>\$ 24,208</u>

4. Capital Assets

Governmental capital asset activity for the fiscal year ended June 30, 2015 was as follows:

<u>Governmental Activities</u>	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Land	\$ -	\$ -	\$ -	\$ -
Capital assets, being depreciated:				
Land improvements	1,102,086	2,908	-	1,104,994
Buildings improvements	1,050,795	107,576	-	1,158,371
Equipment	156,247	-	-	156,247
Furniture and signage	<u>146,785</u>	<u>-</u>	<u>-</u>	<u>146,785</u>
Total capital assets, being depreciated	<u>2,455,913</u>	<u>110,484</u>	<u>-</u>	<u>2,566,397</u>
Less accumulated depreciation:				
Land improvements	362,604	64,371	-	426,975
Buildings improvements	318,290	68,001	-	386,291
Equipment	134,479	9,063	-	143,542
Furniture and signage	<u>101,423</u>	<u>7,200</u>	<u>-</u>	<u>108,623</u>
Total accumulated depreciation	<u>916,796</u>	<u>148,635</u>	<u>-</u>	<u>1,065,431</u>
Capital assets, being depreciated, net	<u>1,539,117</u>	<u>(38,151)</u>	<u>-</u>	<u>1,500,966</u>
Governmental activities capital assets, net	<u>\$ 1,539,117</u>	<u>\$ (38,151)</u>	<u>\$ -</u>	<u>\$ 1,500,966</u>

Depreciation expense was charged to governmental functions as follows:

Baseball stadium operations	<u>\$ 148,635</u>
Total depreciation expense	<u>\$ 148,635</u>

The original cost of constructing the stadium facility was borne by the City of Sevierville and Sevier County according to their respective interests and is not included in these financial statements.

SEVIERVILLE/SEVIER COUNTY JOINT VENTURE

NOTES TO FINANCIAL STATEMENTS
(Continued)5. Long-Term Debt

The bonded debt that was issued to finance the construction of the stadium facility is reported on the financial statements of the City of Sevierville and Sevier County according to their respective interests and is not included in these financial statements. Any subsequent issuance of debt will be treated in the same manner. Cash flow generated by the Joint Venture is anticipated to be used to repay the financing obligations as they become due, however, there is no requirement that they do so.

6. Operating Leases

The Joint Venture leases its facilities as follows:

The stadium facility lease is in effect until March 15, 2025 at the rate of \$300,000 per baseball season due in installments of \$150,000 on June 15 and December 15 each year.

The restaurant lease (leased to the same lessee as the stadium facility) is in effect beginning March 16, 2015 through March 15, 2020. Rent is \$60,000 per year due in monthly installments of \$5,000 during the first five years of the lease.

Future minimum lease payments are as follows:

	<u>Stadium</u>	<u>Restaurant</u>
2016	\$ 300,000	\$ 60,000
2017	300,000	60,000
2018	300,000	60,000
2019	300,000	60,000
2020	300,000	45,000
Thereafter	<u>1,200,000</u>	<u>-</u>
	<u>\$ 2,700,000</u>	<u>\$ 285,000</u>

7. Litigation

There are certain lawsuits pending in which the Joint Venture is involved. Management and legal counsel believe these suits will not result in any material unfavorable outcome for the Joint Venture.

8. Risk Management

The Joint Venture is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The Joint Venture, City of Sevierville and Sevier County purchase commercial insurance for all these risks of loss and there were no settlements exceeding coverage for any of the last three years.

INTERNAL CONTROL AND COMPLIANCE SECTION

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MEMBERS
 AMERICAN INSTITUTE OF
 CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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

Stadium Advisory Board
 Sevierville, 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 of the Sevierville/Sevier County Joint Venture, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Sevierville/Sevier County Joint Venture's basic financial statements, and have issued our report thereon dated March 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Sevierville/Sevier County Joint Venture'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 Sevierville/Sevier County Joint Venture's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sevierville/Sevier County Joint Venture'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 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 over financial reporting 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 Joint Venture'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.

A handwritten signature in black ink that reads "Brown Lake & McDaniel, PC". The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

Knoxville, Tennessee
March 28, 2016