LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
Loudon County, Tennessee

FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2013 and 2012

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
Loudon County, Tennessee
FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2013 and 2012

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LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
Loudon County, Tennessee

SECTION ONE

INTRODUCTORY SECTION

For the Years Ended June 30, 2013 and 2012

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
Loudon County, Tennessee
LIST OF MANAGEMENT AND PRINCIPAL OFFICERS
June 30, 2012

President	Patrick Phillips
Assistant Director	Stephanie Myers

Board Members:

Chairperson	Eddie Simpson
Vice Chairperson	Don Miller
Treasurer	Charlie Bettis

Members:

Sandra Chaffin
Bruce Giles
Ron Jordan
Brad Mizer, exofficio
Lynn Mills, exofficio
Dale Hurst, exofficio
Michael Bobo, exofficio
Mayor Judy McGill-Keller
Mayor Estelle Herron
Mayor Tony Aikens, exofficio
Shannon Littleton, exofficio

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
Loudon County, Tennessee

SECTION TWO

FINANCIAL SECTION

For the Years Ended June 30, 2013 and 2012

Ingram Overholt & Bean, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

428 Marilyn Lane
Alcoa, Tennessee 37701

Telephone
865-984-1040
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Loudon County Economic
Development Agency, Inc.
Loudon County, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Loudon County Economic Development Agency, Inc. (the Agency), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Agency'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Agency as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 8 and the required supplementary information on page 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Loudon County Economic Development Agency, Inc.'s basic financial statements. The introductory section and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section 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 October 28, 2013, on our consideration of the Loudon County Economic Development Agency, Inc. 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 Loudon County Economic Development Agency, Inc. internal control over financial reporting and compliance.

Ingram, Overholt & Bean, P.C.

Alcoa, Tennessee
October 28, 2013

Loudon County
Economic Development Agency
The Resources. The Lifestyle.

October 28, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Loudon County Economic Development Agency, Inc.'s financial performance provides an overview of the Agency's activities for the years ended June 30, 2013 and 2012. This analysis should be read in conjunction with the Agency's financial statements as described in the Table of Contents.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal years ending June 30, 2013 and 2012 include the following:

- The assets of the Agency exceeded its liabilities at the close of the most recent fiscal year by $96,025 (net position). Of this amount, $91,451 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

- The assets of the Agency exceeded its liabilities at the close of the 2012 fiscal year by $81,206 (net position). Of this amount, $79,144 (unrestricted net position) was available during the 2013 fiscal year to meet the government's ongoing obligations to citizens and creditors.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Agency's basic financial statements. The Agency's basic financial statements are comprised of three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the financial statements. This report also contains **other supplementary information** in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting. All of the current years' revenues and expenses are taken into account regardless of when cash is received or paid

The **statement of net position** presents information on all of the Agency's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the differences reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the Agency is improving or deteriorating.

The **statement of activities** presents information showing how the Agency's net position changed during the current fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows.

Both of the government-wide statements distinguish functions of the Agency that are principally supported by intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Agency include economic development and general administration.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. All of the Agency's basic services are reported in governmental funds. These statements, however, focus on near term inflows and outflows of spendable resources and spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the Agency's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Agency maintains one governmental fund.

The Agency adopts an annual appropriated budget for the general fund. Budgetary comparison statements have been provided in the basic financial statements for the general fund to demonstrate compliance with the budget.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

FINANCIAL RATIOS

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

	2013	2012	2011
Working Capital (the amount by which current assets exceed current liabilities)	$ 91,451	$ 79,144	$ 78,489
Current Ratio (compares current assets to current liabilities – as an indicator of the ability to pay current obligations)	6.09	3.17	4.66

GOVERNMENT-WIDE STATEMENTS FINANCIAL ANALYSIS

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

	2013	2012	2011
Current assets	$ 109,425	$ 115,686	$ 101,217
Capital assets, net	4,574	2,062	1,488
Total Assets	113,999	117,748	102,705
Deferred outflows of resources	-	-	-
Current liabilities	17,974	36,542	21,728
Deferred inflows of resources	-	-	-
Net position:			
Invested in capital assets, net	4,574	2,062	1,488
Unrestricted	91,451	79,144	79,489
Total Net position	$ 96,025	$ 81,206	$ 80,977

Net position of the Agency increased .18% during the fiscal year ended June 30, 2013 compared to an increase of .28% for the fiscal year ended June 30, 2012. Unrestricted net position, the portion of the net position available to finance day-to-day operations, increased by .15% for the year ended June 30, 2013 and decreased by .43% for the year ended June 30, 2012.

	2013	2012	2011
Program Revenues:			
Operating grants and Contributions	$ 295,407	$ 292,417	$ 297,733
Capital grants & contributions	-	-	-
General Revenues:			
In-kind Revenue – Donated Facilities	9,000	9,000	9,000
Interest Income	112	156	205
Miscellaneous	95	-	-
Total Revenues	304,614	301,573	306,938
Expenses:			
General and administrative	288,407	300,050	305,814
Depreciation	1,388	1,294	942
Total Expenses	289,795	301,344	306,756
Change in net position	14,819	229	182
Net position at beginning of year	81,206	80,977	80,795
Net position at end of year	$ 96,025	$ 81,206	$ 80,977

The operations of the Loudon County Economic Development Agency, Inc. are primarily funded as follows:

	2013	2012	2011
Contributions from:			
Loudon County	55.5%	51.2%	50.3%
City of Loudon	12.7%	11.8%	11.5%
Lenoir City	11.6%	10.7%	10.5%
Lenoir City Industrial Committee of 100	1.5%	1.4%	1.4%
Interest Income	0.0%	0.0%	0.0%
Grant Revenue (Flow-thru for Innovation Valley)	18.7%	24.9%	26.3%
Miscellaneous	0.0%	0.0%	0.0%
Total	100%	100%	100%

Operational costs for the Agency were $292,307 and $301,918 for the fiscal years ended June 30, 2013 and 2012 respectively. The change in expenses for both fiscal years was due primarily to personnel costs and the flow-thru grants for Innovation Valley.

FUND STATEMENTS FINANCIAL ANALYSIS

Governmental funds

The focus of the Agency's governmental fund is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Agency's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the Agency are the General Fund.

The General Fund is the chief operating fund of the Agency. At the end of the 2013 and 2012 fiscal years, the unassigned fund balance of the General Fund totaled $74,778 and $67,957, respectively. As a measure of the General Fund's liquidity, it may be useful to compare total unassigned fund balance to total fund expenditures. Total unassigned fund balance represents 26% of total general fund expenditures of $292,307, and 23% of total general fund expenditures of $301,918, for the 2013 and 2012 fiscal years, respectively.

CAPITAL ASSETS

The table below reflects the Agency's capital assets (net of accumulated depreciation) at the end of each fiscal year:

	2013	2012	2011
Equipment:			
Furniture and equipment	$ 52,383	$ 48,483	$ 46,615
Automobile	-	16,787	16,787
Total Capital Assets	52,383	65,270	63,402
Accumulated Depreciation	(47,809)	(63,208)	(61,914)
Net Capital Assets	$ 4,574	$ 2,062	$ 1,488

Capital asset acquisitions for the 2013 and 2012 fiscal years consisted of computer equipment.

For government-wide financial statement presentation, all depreciable capital assets are depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. Please refer to the Notes to the Financial Statements for further information regarding capital assets.

DEBT

At the end of the 2013 and 2012 fiscal years, the Agency had no long-term obligations outstanding.

BUDGETS

The Agency adopts an annual appropriated budget for the general fund. The Agency revises its budget as necessary for unexpected changes in revenues and expenditures. The Board approves all budgets and subsequent amendments. Budgetary comparison statements have been provided in the basic financial statements for the general fund to demonstrate compliance with the budget.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens with a general view of the Agency's finances and to show the Agency's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the President of the Agency at 274 Blair Bend Drive, Loudon, Tennessee 37774.

President

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
Loudon County, Tennessee

GOVERNMENT-WIDE FINANCIAL STATEMENTS

June 30, 2013 and 2012

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
Loudon County, Tennessee
STATEMENT OF NET POSITION
For the Years Ended June 30, 2013 and 2012

	Governmental Activities	
	June 30, 2013	June 30, 2012
ASSETS:		
Current Assets:		
Cash in bank	$ 39,968	$ 35,132
Certificates of Deposit	53,438	53,390
Accounts receivable	16,019	27,164
Depreciable Capital Assets, net of depreciation	4,574	2,062
Total Assets	113,999	117,748
DEFERRED OUTFLOWS OF RESOURCES	-	-
LIABILITIES:		
Current Liabilities:		
Accounts payable	$ 3,854	$ 21,542
Compensated absences	14,120	15,000
Total Liabilities	17,974	36,542
DEFERRED INFLOWS OF RESOURCES	-	-
NET POSITION:		
Invested in capital assets	4,574	2,062
Unrestricted	91,451	79,144
Total Net Position	$ 96,025	$ 81,206

See accompanying independent auditors' report and notes.

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
Loudon County, Tennessee
STATEMENT OF ACTIVITIES
For the Years Ended June 30, 2013 and 2012

	June 30, 2013			
		Program Revenues		Net (Expense) Revenue and Changes Net position
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Function/ Programs				
Governmental Activities:				
General and Administrative	$ 288,407	$ 295,407	$ -	$ 7,000
Depreciation	1,388	-	-	(1,388)
Totals	$ 289,795	$ 295,407	$ -	5,612
General Revenues:				
In-kind Revenues - Donated Facilities				9,000
Interest earned				112
Miscellaneous income				95
Total General Revenues				9,207
Change in net position				14,819
Net position – Beginning				81,206
Net position – Ending				$ 96,025

See accompanying independent auditors' report and notes.

(Continued)

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
Loudon County, Tennessee
STATEMENT OF ACTIVITIES (Continued)
For the Years Ended June 30, 2013 and 2012

	June 30, 2012			
		Program Revenues		Net (Expense) Revenue and Changes Net position
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Function/ Programs				
Governmental Activities:				
General and Administrative	$ 300,050	$ 292,417	$ -	$ (7,633)
Depreciation	1,294	-	-	(1,294)
Totals	$ 301,344	$ 292,417	$ -	(8,927)
General Revenues:				
In-kind Revenues - Donated Facilities				9,000
Interest earned				156
Total General Revenues				9,156
Change in net position				229
Net position – Beginning				80,977
Net position – Ending				$ 81,206

See accompanying independent auditors' report and notes.

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
Loudon County, Tennessee

FUND FINANCIAL STATEMENTS

June 30, 2013 and 2012

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
Loudon County, Tennessee
GOVERNMENTAL FUNDS
BALANCE SHEET
For the Years Ended June 30, 2013 and 2012

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2013 General	2012 General
Assets:		
Cash in bank	$ 39,968	$ 35,132
Certificates of Deposit	53,438	53,390
Accounts receivable	16,019	27,164
Total Assets	109,425	115,686
Deferred Outflows of Resources	-	-
Total Assets and Deferred Outflows of Resources	$ 109,425	$ 115,686
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts payable	$ 3,854	$ 21,542
Compensated absences	14,120	15,000
Total Liabilities	17,974	36,542
Deferred Inflows of Resources	-	-
Fund Balance:		
Assigned	16,673	11,187
Unassigned	74,778	67,957
Total Fund Balance	91,451	79,144
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 109,425	$ 115,686

See accompanying independent auditors' report and notes.

LOUDON COUNTY ECONOMIC AND DEVELOPMENT AGENCY, INC.
Loudon County, Tennessee
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
For the Years Ended June 30, 2013 and 2012

	2013	2012
Fund balances – total governmental funds	$ 91,451	$ 79,144
Amounts reported for the governmental activities in the statement of net position are different because:		
Capital assets, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,574	2,062
Net position of governmental activities	$ 96,025	$ 81,206

See accompanying independent auditors' report and notes.

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
Loudon County, Tennessee
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENT FUNDS
For the Fiscal Years Ended June 30, 2013 and 2012

	2013 General	2012 General
Revenues:		
Government contributions	$ 240,216	$ 219,728
Grants	55,191	72,689
In-kind Revenues – Donated Facilities	9,000	9,000
Interest	112	156
Miscellaneous	95	-
Total Revenues	304,614	301,573
Expenditures:		
General and administrative	288,407	300,050
Capital Outlay	3,900	1,868
Total Expenditures	292,307	301,918
Excess (Deficiency) of Revenues Over Expenditures	12,307	(345)
Fund Balance – July 1st	79,144	79,489
Fund Balance – June 30th	$ 91,451	$ 79,144

See accompanying independent auditors' report and notes.

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
Loudon County, Tennessee
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
For the Years Ended June 30, 2013 and 2012

	2013	2012
Net change in fund balances – total governmental fund	$ 12,307	$ (345)
Amounts reported for the governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation.(1).....	2,512	574
Changes in net position of governmental activities.....	$ 14,819	$ 229

(1)	Capital Outlay	$ 3,900
	Depreciation	(1,388)
		$ 2,512

See accompanying independent auditors' report and notes.

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
Loudon County, Tennessee

GENERAL FUND

June 30, 2013 and 2012

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
Loudon County, Tennessee
GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
COMPARED TO BUDGET
For the Fiscal Years Ended June 30, 2013 and 2012

	June 30, 2013		
Account Description	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Recurring			
Loudon County	$ 162,545	$ 163,978	$ 1,433
City of Loudon	36,096	37,529	1,433
City of Lenoir City	32,793	34,226	1,433
Lenoir City Industrial Committee of 100	4,482	4,482	-
In-kind Revenue – Donated Facilities	9,000	9,000	-
Interest Income	-	113	113
Miscellaneous	-	95	95
Non-Recurring			
Grant revenue	71,000	55,191	(15,809)
Total Revenues	315,916	304,614	(11,302)
General Government			
Auto and travel	3,000	1,595	1,405
Communication	6,000	4,811	1,189
Conferences and training	1,000	-	1,000
Dues and Subscriptions	900	895	5
Insurance	6,000	5,972	28
Legal and accounting fees	500	4,300	(3,800)
Meetings	1,500	1,627	(127)
Miscellaneous	1,000	490	510
Office equipment	4,000	3,502	498
Office Supplies	3,000	2,892	108
Payroll - Salaries	167,336	167,971	(635)
Payroll – Taxes	13,656	13,241	415
Payroll – Insurance /Retirement	24,311	20,069	4,242
Postage	500	118	382
Prospects and marketing	7,000	2,065	4,935
Rent	9,000	9,000	-
Utilities and maintenance	5,400	3,555	1,845
Website development	2,000	571	1,429
Innovation Valley Program	71,000	45,733	25,267
Capital Outlay:			
Small equipment	-	3,900	(3,900)
Total Expenditures	327,103	292,307	34,796
Excess (Deficiency) of Revenues Over Expenditures	(11,187)	12,307	23,494
Fund Balance - Beginning of Fiscal Year	79,144	79,144	-
Fund Balance - End of Fiscal Year	$ 67,957	$ 91,451	$ 23,494

(Continued)

See accompanying independent auditors' report and notes.

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
Loudon County, Tennessee
GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES -
COMPARED TO BUDGET
For the Fiscal Years Ended June 30, 2013 and 2012

	June 30, 2012		
Account Description	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
Recurring			
Loudon County	$ 148,429	$ 149,863	$ 1,434
City of Loudon	32,961	34,394	1,433
City of Lenoir City	29,945	31,378	1,433
Lenoir City Industrial Committee of 100	4,093	4,093	-
In-kind Revenue – Donated Facilities	9,000	9,000	-
Interest Income	-	156	156
Non-Recurring			
Grant revenue	86,500	72,689	(13,811)
Total Revenues	310,928	301,573	(9,355)
General government			
Auto and travel	3,500	1,699	1,801
Communication	6,500	5,148	1,352
Conferences and training	1,000	165	835
Dues and Subscriptions	900	1,076	(176)
Insurance	6,000	5,606	394
Legal and accounting fees	500	4,300	(3,800)
Meetings	1,500	820	680
Miscellaneous	1,000	(106)	1,106
Office equipment	4,700	3,360	1,340
Office Supplies	3,000	1,344	1,656
Payroll - Salaries	170,000	169,799	201
Payroll – Taxes	13,900	13,845	55
Payroll – Insurance /Retirement	11,736	14,480	(2,744)
Postage	500	52	448
Prospects and marketing	5,000	1,388	3,612
Rent	9,000	9,000	-
Utilities and maintenance	5,400	3,416	1,984
Website development	2,000	27	1,973
Innovation Valley Program	86,500	64,631	21,869
Capital Outlay:			
Prospects and marketing	2,000	1,868	132
Total Expenditures	334,636	301,918	32,718
Excess (Deficiency) of Revenues Over Expenditures	(23,708)	(345)	23,363
Fund Balance - Beginning of Fiscal Year	79,489	79,489	-
Fund Balance - End of Fiscal Year	$ 55,781	$ 79,144	$ 23,363

See accompanying independent auditors' report and notes.

NOTE 1 – GENERAL INFORMATION:

The Loudon County Economic Development Agency, Inc. was originally created on May 24, 1965, as the Loudon County Industrial Commission, Inc. and later chartered as a private non-profit organization under the Tennessee's Secretary of State on August 9, 1985 as Loudon County Industrial Committee of 100, Inc. On April 25, 2000, the Board approved a change in name, membership and expansion of the organization's role as the Joint Economic and Community Development Board under Public Chapter 1101. Under this role, the Agency is responsible for coordinating governmental and private industrial development and economic development activities in Loudon County. The Agency is governed by a eight-member board comprised of one member each from the three governments, and one member each representing the County Commission, Lenoir City Committee of 100 for Industrial Development, Inc., the Chamber of Commerce, Greenbelt Property Owner and one member appointed at-large. Each serves a two-to-four-year term. The Agency employs a President and staff to plan and coordinate the Agency's development activities. Financial support for the Agency is provided by Loudon County, City of Loudon, Lenoir City and Lenoir City Industrial Committee of 100.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. REPORTING ENTITY

The Agency is a joint venture between the three participating governments and acts as the Joint Economic and Community Development Board for those governments as permitted under Public Chapter 1101 and codified in Tennessee Code Annotated, Section 6-58-114. The Agency operates under its own by-laws.

B. BASIS OF PRESENTATION

Government – wide Financial Statements:

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

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses.

(Continued)

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

B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements (Continued):

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 Agency or meets the following criteria:

a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

c. Any fund which government officials believe is important. The Agency considers all funds as major funds.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Agency and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. There are no non-major funds.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

On the government-wide Statement of Net position and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

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

(Continued)

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Basis of Accounting

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

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

D. ASSETS, LIABILITIES, AND EQUITY

Cash and Certificates of Deposits

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

Certificates of deposits include time deposits in a bank with maturity dates ranging from nine to twelve months. Deposits are stated at fair value.

Capital Assets

Government-wide Statements

In the government-wide financial statements, depreciable capital assets, which include property and equipment, are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

Depreciation of 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:

Furniture and Equipment	03 – 04 years
Automobile	03 years

(Continued)

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

D. ASSETS, LIABILITIES, AND EQUITY (Continued)

Capital Assets (Continued)

Fund Financial Statements

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:

a. Invested in capital assets, net – consists of capital assets including restricted capital assets, net of accumulated depreciation.

b. Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. There were no restricted net position at June 30, 2013 and 2012.

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

Fund Statements

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

a. Nonspendable fund balances comprise those amounts that are legally or contractually required to be maintained intact.

b. Restricted fund balances comprise those amounts constrained to be used for a specific purpose by external parties, constitution provisions or enabling legislation.

c. Committed fund balances comprise those amounts constrained by the government itself using its highest level of governing body using its highest level of authority.

d. Assigned fund balances are amounts intended to be used for a specific purpose by the governing body through action other than the highest level of authority or an official expressly authorized by the governing body. This amount also includes amounts needed to balance the next fiscal year's budget.

e. Unassigned fund balances are any amounts other than those described above and are available for any purpose.

(Continued)

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

D. ASSETS, LIABILITIES, AND EQUITY (Continued)

Equity Classifications (Continued)

Fund Statements (Continued)

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

E. REVENUES, EXPENDITURES, AND EXPENSES

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 revenues from other governments, organizations or individuals that are used for economic development activities in Loudon County and for administering those activities.

Expenditures/Expenses

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

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

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

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

F. BUDGETARY ACCOUNTING

The Director of the Agency submits an annual budget to the Agency Board. Budgets are used to monitor operations and are amended when original estimates appear inaccurate. Annual budgets, including any amendments, are approved by the eight-member Board prior to beginning a fiscal year. Budget appropriations lapse at the end of the fiscal year. The budgetary level of control is at the fund level. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

G. CONCENTRATION OF SUPPORT

The Agency is highly dependent on the funding by the three participating governmental entities which provided 77% and 72% of the Agency's support for the 2013 and 2012 fiscal years, respectively.

(Continued)

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

H. DONATED FACILITIES

The Agency occupies office space owned by the City of Loudon free of charge. The Agency received the use of donated facilities for office space from the City of Loudon with an estimated fair value of $9,000 for each of the years ended June 30, 2013 and 2012.

I. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

J. IMPLEMENTATION OF NEW ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This Statement establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and also requires related disclosures. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

In addition, GASB has issued Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement specified the items that were previously reported as assets and liabilities should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. The requirements of this Statement are effective for the financial statements for periods beginning after December 15, 2012. Since this statement closely correlates to Statement No. 63, the Agency has elected to early implement the provisions of this statement.

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

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

A. FUND ACCOUNTING REQUIREMENTS

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

B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

In accordance with state law, all deposits of monies in financial institutions must be federally insured or secured with acceptable collateral.

(Continued)

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

C. FUND EQUITY RESTRICTIONS

Deficit Prohibition

State of Tennessee Statutes prohibits the creation of a deficit fund balance in any individual fund. The Agency complied with this statute in all material respects for the years ended June 30, 2013 and 2012.

NOTE 4 – CASH AND CERTIFICATES OF DEPOSITS:

Total cash and certificate of deposits at June 30, 2013 and 2012 are summarized as follows:

Type	2013	2012
Local financial institutions:		
Checking account	$ 37,529	$ 35,132
Certificate of Deposit -		
(.09% maturing 06/19/13)	53,438	-
(.09% maturing 07/20/12)	-	53,390
	53,438	53,390
Total Cash and Certificate of Deposits	$ 90,967	$ 88,522

As of June 30, 2013 and 2012, total cash and certificates of deposit were held in one financial institution. Deposits are insured up to $250,000 by the Federal Deposit Insurance Corporation.

NOTE 5 – RELATED PARTY AND AGENCY TRANSACTIONS:

The Agency bills individuals and collects lease payments for certain agricultural land leases on behalf of Loudon County and the City of Loudon. All lease payments are remitted to the appropriate governmental entity upon receipts. These amounts are not reflected in the financial statements. Amounts received and remitted for the years ended June 30, 2013 and 2012 totaled $5,395 and $4,350, respectively.

NOTE 6 – COMPENSATED ABSENCES:

The Agency's policy for compensated absences is as follows:

- **Vacation** – Vacation is accrued based on years of service and earned on a fiscal year basis. Employees earn a prorata share of the annual leave each month and are vested in their vacation hours earned up to a maximum of 30 days. Employees may "carry over" into the next fiscal year any unused, accrued vacation hours up to a maximum of thirty (30) days. Vacation days accrued in excess of thirty (30) days after June 30 of each year will be converted to sick leave.

(Continued)

NOTE 6 – COMPENSATED ABSENCES (Continued):

- **Sick Leave** - Employee sick leave is based on accumulated services and employment status and accumulates at the rate of 1 day per month. Employees may carry over accumulated unused sick leave with no maximum accrual limit. Unused, accrued sick leave hours may be credited to hours of service for purposes of determining eligibility for retirement benefits. However, employees are not paid for unused, accrued sick leave upon termination of employment; therefore, sick pay is not recorded as an expenditure until paid.

At June 30, 2013 and 2012 accrued compensated absences (recorded in accordance with Government Accounting Standards Board Statement No. 16) of $14,120 and $15,000, to be funded from current resources, are reflected in the General Fund, and represent a current liability for vacation pay which has been earned but not taken by Agency employees.

NOTE 7 – EMPLOYEES' RETIREMENT PLAN:

Plan Description

Employees of the Loudon County Economic Development Agency, Inc. (the "Agency") are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five (5)-year average salary and years of service. Members become eligible to retire at the age of sixty (60) with five (5) years of service or at any age with thirty (30) years of service. A reduced retirement benefit is available to vested members at the age of fifty-five (55). Disability benefits are available to active members with five (5) years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five (5) years of service and members joining prior to July 1, 1979 were vested after four (4) years of service. Benefit provisions are established in state statute found in *Title 8, Chapter 34-37 of the Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Agency participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at http://www.tn.gov/treasury/tcrs/PS/.

Funding Policy:

The Agency requires employees to contribute 5.0% of earnable compensation.

The Agency is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013 was 8.55% of annual covered payroll. The contribution requirements of plan members are set by state statute. Contribution requirements for the Loudon County Economic Development Agency are established and may be amended by the TCRS Board of Trustees.

(Continued)

NOTE 7 – EMPLOYEES' RETIREMENT PLAN:

Annual Pension Cost:

For the year ended June 30, 2013, the Agency's annual pension cost of $13,877 to TCRS was equal to the Agency's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5% a year compounded annually; (b) projected 3.0% annual rate of inflation; (c) projected salary increases of 4.75% (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries); (d) projected 3.5% annual increase in the Social Security wage base; and (e) projected post retirement increases of 2.5% annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of equities over a ten (10)-year period. The Agency's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was twenty (20) years. An actuarial valuation was performed as of July 1, 2011 which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/13	$ 13,877	100.00%	$ -
6/30/12	$ 5,722	100.00%	$ -
6/30/11	$ 5,608	100.00%	$ -

Funded Status and Funding Progress:

As of July 1, 2011, the most recent actuarial valuation date, the plan was 56.15% funded. The actuarial accrued liability for benefits was $0.34 million, and the actuarial value of assets was $0.19 million, resulting in an unfunded actuarial accrued liability (UAAL) of ($0.15) million. The covered payroll (annual payroll of active employees covered by the plan) was $0.17 million, and the ratio of the UAAL to the covered payroll was 89.13%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/01/11	$ 190	$ 338	$ 148	56.15%	$ 166	89.13%

(Continued)

NOTE 8 – RISK FINANCING ACTIVITIES:

It is the policy of the Agency to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, and employee health and accident. Settled claims have not exceeded this commercial coverage in any of the past three (3) fiscal years.

NOTE 9 – LEASE:

In March 2010, the Agency leased a copy machine on a month-to-month basis. Monthly payments and usage are estimated at $150 per month.

NOTE 10 – GRANT:

Innovation Valley, Inc. funds are used by the Loudon County Economic Development Agency for activities related to Innovation Valley's goals and objectives. They are not used for the operating expenses of the Agency.

NOTE 11 – CAPITAL ASSETS:

A summary of capital assets and depreciation is as follows:

	2013			
	Balance 7/1/12	Current Additions	Current Retirements/ Reclassifications	Balance 6/30/13
Depreciable Capital Assets:				
Furniture and equipment	$ 48,483	$ 3,900	$ -	$ 52,383
Automobile	16,787	-	(16,787)	-
Total Capital Assets	65,270	3,900	(16,787)	52,383
Less Accumulated Depreciation	(63,208)	(1,388)	(16,787)	(47,809)
Net Capital Assets	$ 2,062	$ 2,512	$ -	$ 4,574
Accumulated Depreciation:				
Furniture and equipment	$ 46,421	$ 1,388	$ -	$ 47,809
Automobile	16,787	-	(16,787)	-
	$ 63,208	$ 1,388	$ (16,787)	$ 47,809

(Continued)

NOTE 11 – CAPITAL ASSETS (Continued):

A summary of capital assets and depreciation is as follows (Continued):

	2012			
	Balance 7/1/11	Current Additions	Current Retirements/ Reclassifications	Balance 6/30/12
Depreciable Capital Assets:				
Furniture and equipment	$ 46,615	$ 1,868	$ -	$ 48,483
Automobile	16,787	-	-	16,787
Total Capital Assets	63,402	1,868	-	65,270
Less Accumulated Depreciation	(61,914)	(1,294)	-	(63,208)
Net Capital Assets	$ 1,488	$ 574	$ -	$ 2,062
Accumulated Depreciation:				
Furniture and equipment	$ 45,127	$ 1,294	$ -	$ 46,421
Automobile	16,787	-	-	16,787
	$ 61,914	$ 1,294	$ -	$ 63,208

NOTE 12 – FUND BALANCES:

Assigned fund balances in the amount of $16,673 and $11,187 for the fiscal years ended June 30, 2013 and 2012 consist of amounts utilized to balance the subsequent year's budget. All other fund balances are unassigned.

NOTE 13 – SUBSEQUENT EVENT:

The date to which events occurring after June 30, 2013 the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is October 28, 2013, which is the date on which the financial statements were issued.

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
Loudon County, Tennessee

REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2013

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
Loudon County, Tennessee
Schedule of Funding Progress
June 30, 2013 and 2012

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/01/11	$ 190	$ 338	$ 148	56.15%	$ 166	89.13%
7/01/09	$ 153	$ 153	$ -	100.00%	$ 102	0.00%
7/01/07	$ -	$ -	$ -	0.00%	$ -	0.00%

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
Loudon County, Tennessee

SUPPLEMENTAL SCHEDULES

June 30, 2013

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
Loudon County, Tennessee
CAPTIAL ASSETS USED IN GOVERNMENTAL ACTIVITIES
SCHEDULE OF GENERAL CAPITAL ASSETS
June 30, 2013 and 2012

	2013	2012
Depreciable Capital Assets:		
Equipment, net of depreciation	$ 4,574	$ 2,062
Investment in Capital Assets	$ 4,574	$ 2,062

See accompanying independent auditors' report and notes.

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
Loudon County, Tennessee
SCHEDULE OF CHANGES IN CAPITAL ASSETS BY FUNCTION
For the Fiscal Year Ended June 30, 2013 and 2012

	2013 Capital Assets				2013 Accumulated Depreciation				
	Balance 7/1/12	Current Additions	Current Retirements	Balance 6/30/13	Balance 7/1/12	Current Additions	Current Retirement Reclassifications	Balance 6/30/13	Net Book Value
Furniture and Equipment	$ 48,483	$ 3,900	$ -	$ 52,383	$ 46,421	$ 1,388	$ -	$ 47,809	$ 4,574
Automobile	16,787	-	(16,787)	-	16,787	-	(16,787)	-	-
Totals	$ 65,270	$ 3,900	$ (16,787)	$ 52,383	$ 63,208	$ 1,388	$ (16,787)	$ 47,809	$ 4,574

	2012 Capital Assets				2012 Accumulated Depreciation				
	Balance 7/1/11	Current Additions	Current Retirements	Balance 6/30/12	Balance 7/1/11	Current Additions	Current Retirement Reclassifications	Balance 6/30/12	Net Book Value
Furniture and Equipment	$ 46,615	$ 1,868	$ -	$ 48,483	$ 45,127	$ 1,294	$ -	$ 46,421	$ 2,062
Automobile	16,787	-	-	16,787	16,787	-	-	16,787	-
Totals	$ 63,402	$ 1,868	$ -	$ 65,270	$ 61,914	$ 1,294	$ -	$ 63,208	$ 2,062

Current additions for each fiscal year are reflected as expenditures in the financial statements as follows:

	2013	2012
General Fund	$ 1,388	$ 1,868

See accompanying independent auditors' report and notes.

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
Loudon County, Tennessee
SCHEDULE OF INSURANCE IN FORCE
June 30, 2013

Insurance Company/Agency	Policy Number	Period	Description
Westfield Insurance Company	CWP 3-333-832	7-1-12 to 7-1-13	Commercial Property $40,000 Building coverage at 80% co-insurance – 274 Blair Bend Road $25,000 Contents coverage at 80% co-insurance – 274 Blair Bend Road General Liability $2,000,000 General Liability Limit $1,000,000 Personal & Advertising Injury Limit $1,000,000 Each Occurrence Limit $100,000 Damage to rented premises $5,000 Medical Expense Limit Automobile Liability Actual Cash Value Comprehensive, $250 deductible Actual Cash Value Collision, $500 deductible $1,000,000 Liability $1,000,000 Uninsured Motorist $5,000 Auto Medical Payments Crime $2,500 Employee Theft $2,500 Forgery or Alteration $5,000 Theft of Money and Securities $5,000 Contents coverage at 80% Limits per occurrence
St. Paul Travelers Bond/Travelers Casualty and Surety Company of America	104769276	7-1-12 to 7-1-13	$1,000,000 Directors and Officers Liability; $5,000 Retention $1,000,000 Employment Practices Liability; $5,000 Retention
Westfield Insurance Company	WCP4470468	7-1-12 to 7-1-13	Workers Compensation and Employers Liability $500,000 policy limit

See accompanying independent auditors' report and notes.

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
Loudon County, Tennessee

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

June 30, 2013

Ingram Overholt & Bean, P.C.
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Director of Loudon County
Economic Development Agency, Inc.
Loudon County, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Loudon County Economic Development Agency, Inc. as of and for the years ended June 30, 2013 and 2012, and the related notes to the basic financial statements, which collectively comprise the Loudon County Economic Development Agency, Inc.'s basic financial statements and have issued our report thereon dated October 28, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Loudon County Economic Development Agency, Inc.'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 *Governmental 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 for 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
October 28, 2013