

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

**FINANCIAL STATEMENTS**

For the Fiscal Years Ended June 30, 2015 and 2014

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**

Loudon County, Tennessee  
**FINANCIAL STATEMENTS**

For the Fiscal Years Ended June 30, 2015 and 2014

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

SECTION ONE

INTRODUCTORY SECTION

For the Years Ended June 30, 2015 and 2014

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**  
Loudon County, Tennessee  
**LIST OF MANAGEMENT AND PRINCIPAL OFFICERS**  
June 30, 2015

Executive Director	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, 2015 and 2014



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 years ended June 30, 2015 and 2014, 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, 2015 and 2014, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the years 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 pages 33 - 35 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 schedules on pages 36 - 38 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are 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 2, 2015, on our consideration of the Loudon County Economic Development Agency, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Loudon County Economic Development Agency, Inc.'s internal control over financial reporting and compliance.

*Ingram, Overholt & Bean, P.C.*

Alcoa, Tennessee

October 2, 2015



October 2, 2015

## 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, 2015 and 2014. 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, 2015 and 2014 include the following:

- The assets of the Agency exceeded its liabilities at the close of the most recent fiscal year by \$144,474 (net position). Of this amount, \$142,789 (unrestricted net position) may be used to meet the Agency's ongoing obligations.
- The assets of the Agency exceeded its liabilities at the close of the 2014 fiscal year by \$121,444 (net position). Of this amount, \$117,677 (unrestricted net position) was available during the 2015 fiscal year to meet the Agency's ongoing obligations.

## 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 schedules** 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:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Working Capital (the amount by which current assets exceed current liabilities)	\$ 145,638	\$ 117,677	\$ 91,451
Current Ratio (compares current assets to current liabilities – as an indicator of the ability to pay current obligations)	9.84	8.22	6.09

## GOVERNMENT-WIDE STATEMENTS FINANCIAL ANALYSIS

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Current assets	\$ 162,120	\$ 133,966	\$ 109,425
Capital assets, net	1,685	3,767	4,574
Other noncurrent assets	<u>70,897</u>	<u>-</u>	<u>-</u>
Total Assets	<u>234,702</u>	<u>137,733</u>	<u>113,999</u>
Deferred outflows of resources	<u>24,336</u>	<u>-</u>	<u>-</u>
Current liabilities	<u>16,482</u>	<u>16,289</u>	<u>17,974</u>
Deferred inflows of resources	<u>27,185</u>	<u>-</u>	<u>-</u>
Net position:			
Investment in capital assets	1,685	3,767	4,574
Unrestricted	<u>213,683</u>	<u>117,677</u>	<u>91,451</u>
Total Net position	<u>\$ 215,368</u>	<u>\$ 121,444</u>	<u>\$ 96,025</u>

Net position of the Agency increased 77% during the fiscal year ended June 30, 2015 compared to an increase of 26% for the fiscal year ended June 30, 2014. Unrestricted net position, the portion of the net position available to finance day-to-day operations, increased by 81% for the year ended June 30, 2015 and increased by 29% for the year ended June 30, 2014.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Program Revenues:			
Operating grants and Contributions	\$ 240,216	\$ 240,216	\$ 295,407
Capital grants & contributions	-	-	-
General Revenues:			
Interest Income	125	124	112
Pension Income	<u>9,147</u>	<u>-</u>	<u>95</u>
Total Revenues	<u>249,488</u>	<u>240,340</u>	<u>295,614</u>
Expenses:			
General and administrative	200,090	212,529	279,407
Depreciation	<u>2,082</u>	<u>2,392</u>	<u>1,388</u>
Total Expenses	<u>202,172</u>	<u>214,921</u>	<u>280,795</u>
Change in net position	47,316	25,419	14,819
Net position at beginning of year (2015 restated)	<u>168,052</u>	<u>96,025</u>	<u>81,206</u>
Net position at end of year	<u>\$ 215,368</u>	<u>\$ 121,444</u>	<u>\$ 96,025</u>

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contributions from:			
Loudon County	65.7%	68.3%	55.5%
City of Loudon	15.0%	15.6%	12.7%
Lenoir City	13.7%	14.2%	11.6%
Lenoir City Industrial Committee of 100	1.8%	1.9%	1.5%
Interest Income	0.0%	0.0%	0.0%
Grant Revenue (Flow-thru for Innovation Valley)	0.0%	0.0%	18.7%
Miscellaneous	<u>3.8%</u>	<u>0.0%</u>	<u>0.0%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

Operational costs for the Agency were \$202,172 and \$223,921 for the fiscal years ended June 30, 2015 and 2014 respectively. The change in expenses for both fiscal years was due primarily to personnel costs and differences in pension expense (income) as a result of the implementation of the Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions.

## **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 2015 and 2014 fiscal years, the unassigned fund balance of the General Fund totaled \$145,638 and \$117,667, 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 68% of total general fund expenditures of \$212,380, and 55% of total general fund expenditures of \$214,114, for the 2015 and 2014 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:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Equipment:			
Furniture and equipment	\$ 53,968	\$ 53,968	\$ 52,383
Automobile	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Assets	53,968	53,968	52,383
 Accumulated Depreciation	 <u>(52,283)</u>	 <u>(50,201)</u>	 <u>(47,809)</u>
 Net Capital Assets	 <u>\$ 1,685</u>	 <u>\$ 3,767</u>	 <u>\$ 4,574</u>

Capital asset acquisitions for the 2014 fiscal year 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 2015 and 2014 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.

A handwritten signature in blue ink, appearing to read "C. A. Kelly", written over a horizontal line.

Executive Director

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

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

June 30, 2015 and 2014

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**

Loudon County, Tennessee  
**STATEMENT OF NET POSITION**  
 For the Years Ended June 30, 2015 and 2014

	<u>Governmental Activities</u>	
	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<b>ASSETS:</b>		
Current Assets:		
Cash in bank .....	\$ 76,759	\$ 77,703
Certificates of Deposit.....	83,530	53,482
Accounts receivable .....	1,831	2,781
Depreciable Capital Assets, net of depreciation .....	1,685	3,767
Net Pension Asset .....	<u>70,897</u>	<u>-</u>
Total Assets .....	<u>234,702</u>	<u>137,733</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
Pension deferrals .....	<u>24,336</u>	<u>-</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
Accounts payable .....	1,725	1,532
Compensated absences.....	<u>14,757</u>	<u>14,757</u>
Total Liabilities .....	<u>16,482</u>	<u>16,289</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Pension deferrals .....	<u>27,185</u>	<u>-</u>
<b>NET POSITION:</b>		
Investment in capital assets.....	1,685	3,767
Unrestricted .....	<u>213,686</u>	<u>117,677</u>
Total Net Position .....	<u>\$ 215,371</u>	<u>\$ 121,444</u>

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, 2015 and 2014

	June 30, 2015			
		Program Revenues		
	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes Net Position Governmental Activities</u>
Function/ Programs				
Governmental Activities:				
General and Administrative...	\$ 200,090	\$ 240,216	\$ -	\$ 40,126
Depreciation .....	<u>2,082</u>	<u>-</u>	<u>-</u>	<u>(2,082)</u>
Totals.....	<u>\$ 202,172</u>	<u>\$ 240,216</u>	<u>\$ -</u>	<u>38,044</u>
General Revenues:				
Pension income .....				9,147
Interest earned .....				<u>125</u>
Total General Revenues.....				<u>9,272</u>
Change in net position .....				47,316
Net position – Beginning (restated) .....				<u>168,055</u>
Net position – Ending.....				<u>\$ 215,371</u>

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, 2015 and 2014

	June 30, 2014			
<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>	<u>Revenue and</u>
	<u>Operating</u>	<u>Capital</u>	<u>Net position</u>	<u>Changes</u>
	<u>Grants and</u>	<u>Grants and</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Contributions</u>	<u>Contributions</u>	<u>Activities</u>	<u>Activities</u>
Function/ Programs				
Governmental Activities:				
General and Administrative...	\$ 212,529	\$ 240,216	\$ -	\$ 27,687
Depreciation.....	2,392	-	-	(2,392)
Totals	\$ 214,921	\$ 240,216	\$ -	25,295
General Revenues:				
Interest earned .....				124
Change in net position.....				25,419
Net position – Beginning.....				96,025
Net position – Ending.....				\$ 121,444

See accompanying independent auditors' report and notes.

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**

Loudon County, Tennessee

**FUND FINANCIAL STATEMENTS**

June 30, 2015 and 2014

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**  
Loudon County, Tennessee  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEET**  
For the Years Ended June 30, 2015 and 2014

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	2015 <u>General</u>	2014 <u>General</u>
Assets:		
Cash in bank .....	\$ 76,759	\$ 77,703
Certificates of Deposit.....	83,530	53,482
Accounts receivable .....	<u>1,831</u>	<u>2,781</u>
Total Assets .....	<u>162,120</u>	<u>133,966</u>
Deferred Outflows of Resources.....	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources .....	<u>\$ 162,120</u>	<u>\$ 133,966</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable.....	\$ 1,725	\$ 1,532
Compensated absences.....	<u>14,757</u>	<u>14,757</u>
Total Liabilities .....	<u>16,482</u>	<u>16,289</u>
Deferred Inflows of Resources .....	<u>-</u>	<u>-</u>
Fund Balance:		
Assigned .....	-	-
Unassigned.....	<u>145,638</u>	<u>117,677</u>
Total Fund Balance .....	<u>145,638</u>	<u>117,677</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance .....	<u>\$ 162,120</u>	<u>\$ 133,966</u>

See accompanying independent auditors' report and notes.

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**  
 Loudon County, Tennessee  
**RECONCILIATION OF THE BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION**  
 For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Fund balances – total governmental funds.....	\$ 145,638	\$ 117,677
<p>Amounts reported for the governmental activities in the statement of net position are different because:</p>		
<p>Capital assets, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.....</p>	1,685	3,767
<p>Other long-term assets are not available to pay for current-period expenditures, and therefore, are deferred outflows of resources: Pension deferrals .....</p>	24,336	-
<p>Other long-term liabilities are not due and payable in the current-period, and therefore, are deferred inflows of resources: Pension deferrals .....</p>	(27,185)	-
<p>The pension plan is funded in excess of its actuarially determined pension obligation. Net Pension Asset is not available in the current period and, therefore, is not reportable in the governmental funds.....</p>	<u>70,897</u>	<u>-</u>
Net position of governmental activities .....	<u>\$ 215,371</u>	<u>\$ 121,444</u>

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, 2015 and 2014

	2015 <u>General</u>	2014 <u>General</u>
Revenues:		
Government contributions .....	\$ 240,216	\$ 240,216
Interest .....	<u>125</u>	<u>124</u>
Total Revenues.....	<u>240,341</u>	<u>240,340</u>
Expenditures:		
General and administrative .....	212,380	212,529
Capital Outlay.....	<u>-</u>	<u>1,585</u>
Total Expenditures .....	<u>212,380</u>	<u>214,114</u>
Excess of Revenues Over Expenditures .....	<u>27,961</u>	<u>26,226</u>
Fund Balance – July 1 <sup>st</sup> .....	<u>117,677</u>	<u>91,451</u>
Fund Balance – June 30 <sup>th</sup> .....	<u>\$ 145,638</u>	<u>\$ 117,677</u>

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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Net change in fund balances – total governmental fund .....	\$ 27,961	\$ 26,226
<p>Amounts reported for the governmental activities in the                      statement of activities are different because:</p>		
<p>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) .....</p>		
	(2,082)	(807)
Changes in net pension obligation (asset) are reported on the Statement of Activities .....	<u>21,437</u>	<u>-</u>
Changes in net position of governmental activities .....	<u>\$ 47,316</u>	<u>\$ 25,419</u>

	<u>2015</u>	<u>2014</u>
(1) Capital Outlay	\$ -	\$ 1,585
Depreciation	<u>(2,082)</u>	<u>(2,392)</u>
	<u>\$ (2,082)</u>	<u>\$ (807)</u>

See accompanying independent auditors' report and notes.

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

**GENERAL FUND**

June 30, 2015 and 2014

**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, 2015 and 2014

<u>Account Description</u>	<u>June 30, 2015</u>		
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Recurring			
Loudon County	\$ 162,545	\$ 163,979	\$ 1,434
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	-
Interest Income	-	125	125
Total Revenues	<u>235,916</u>	<u>240,341</u>	<u>4,425</u>
General Government			
Auto and travel	3,000	2,082	918
Communication	6,000	5,691	309
Conferences and training	2,000	977	1,023
Dues and Subscriptions	900	900	-
Hospitality	2,500	595	1,905
Insurance	6,500	6,421	79
Legal and accounting fees	2,500	4,300	(1,800)
Meetings	3,000	1,864	1,136
Miscellaneous	1,000	-	1,000
Office equipment	4,500	3,769	731
Office Supplies	3,000	2,812	188
Payroll – Salaries	156,965	147,446	9,519
Payroll – Taxes	13,590	11,382	2,208
Payroll – Insurance /Retirement	13,961	13,138	823
Postage	500	211	289
Prospects and marketing	6,000	4,824	1,176
Utilities and maintenance	5,400	4,418	982
Website development	4,600	1,550	3,050
Total Expenditures	<u>235,916</u>	<u>212,380</u>	<u>23,536</u>
Excess of Revenues Over Expenditures	-	27,961	27,961
Fund Balance - Beginning of Fiscal Year	<u>117,677</u>	<u>117,677</u>	<u>-</u>
Fund Balance - End of Fiscal Year	<u>\$ 117,677</u>	<u>\$ 145,638</u>	<u>\$ 27,961</u>

(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, 2015 and 2014

<u>Account Description</u>	<u>June 30, 2014</u>			Favorable (Unfavorable) <u>Variance</u>
	<u>Budget</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
Recurring				
Loudon County	\$ 162,545	\$ 162,545	\$ 163,979	\$ 1,434
City of Loudon	36,096	36,096	37,529	1,433
City of Lenoir City	32,793	32,793	34,226	1,433
Lenoir City Industrial Committee of 100	4,482	4,482	4,482	-
Interest Income	-	-	124	124
Total Revenues	<u>235,916</u>	<u>235,916</u>	<u>240,340</u>	<u>4,424</u>
General Government				
Auto and travel	3,000	3,000	2,221	779
Communication	6,000	6,000	5,451	549
Conferences and training	1,000	2,000	1,092	908
Dues and Subscriptions	900	900	738	162
Hospitality	2,500	2,500	797	1,703
Insurance	6,500	6,500	6,326	174
Legal and accounting fees	500	500	4,300	(3,800)
Meetings	1,500	2,500	2,377	123
Miscellaneous	1,000	1,000	45	955
Office equipment	4,000	2,400	3,414	(1,014)
Office Supplies	3,000	3,000	2,436	564
Payroll – Salaries	171,520	171,520	145,587	25,933
Payroll – Taxes	14,500	14,500	11,233	3,267
Payroll – Insurance /Retirement	24,269	20,269	12,930	7,339
Postage	500	500	144	356
Prospects and marketing	8,000	8,000	7,924	76
Utilities and maintenance	5,400	5,400	4,409	991
Website development	2,000	2,000	1,105	895
Capital Outlay:				
Small equipment	<u>-</u>	<u>1,600</u>	<u>1,585</u>	<u>15</u>
Total Expenditures	<u>256,089</u>	<u>254,089</u>	<u>214,114</u>	<u>39,975</u>
Excess (Deficiency) of Revenues Over Expenditures	(20,173)	(18,173)	26,226	44,399
Fund Balance - Beginning of Fiscal Year	<u>91,451</u>	<u>91,451</u>	<u>91,451</u>	<u>-</u>
Fund Balance - End of Fiscal Year	<u>\$ 71,278</u>	<u>\$ 73,278</u>	<u>\$ 117,677</u>	<u>\$ 44,399</u>

See accompanying independent auditors' report and notes.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**

Loudon County, Tennessee  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015 and 2014

**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 an Executive Director 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)

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**

Loudon County, Tennessee  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015 and 2014

**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 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)

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**  
Loudon County, Tennessee  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015 and 2014

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

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)**

**Basis of Accounting**

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

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

**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)

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**

Loudon County, Tennessee  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015 and 2014

**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. Investment in capital assets – 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, 2015 and 2014.
- c. Unrestricted net position – all other net position that do not meet the definition of “restricted” or “investment in capital assets.”

*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)

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**

Loudon County, Tennessee  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015 and 2014

**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 98% and 96% of the Agency's support for the 2015 and 2014 fiscal years, respectively.

(Continued)

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**  
 Loudon County, Tennessee  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015 and 2014

**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, 2015 and 2014.

**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. PENSIONS**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Loudon County Economic Development Agency's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Loudon County Economic Development Agency's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

**K. IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENT**

In June 2012 the Governmental Accounting Standards Board issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective for the fiscal year beginning July 1, 2014. This statement revises existing standards for measuring and reporting pension liabilities for pensions provided by the Agency to its employees. This Statement requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The Agency implemented this standard effective July 1, 2014. The Agency's Net Position at that date was restated to reflect the effects of this pronouncement as follows:

Net position, June 30, 2014		\$ 121,444
Recognition of Pension liability		<u>46,611</u>
Restated Net Position, July 1, 2014		<u>\$ 168,055</u>

(Continued)

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**  
 Loudon County, Tennessee  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015 and 2014

**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.

**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, 2015 and 2014.

**NOTE 4 – CASH AND CERTIFICATES OF DEPOSITS:**

Total cash and certificate of deposits at June 30, 2015 and 2014 are summarized as follows:

Type	<u>2015</u>	<u>2014</u>
Local financial institutions:		
Checking account.....	\$ <u>76,759</u>	\$ <u>77,703</u>
Certificate of Deposit -		
(.4% maturing 07/14/15).....	30,000	-
(.09% maturing 12/16/15) .....	<u>53,530</u>	<u>53,482</u>
	<u>83,530</u>	<u>53,482</u>
 Total Cash and Certificate of Deposits .....	 \$ <u>160,289</u>	 \$ <u>131,185</u>

As of June 30, 2015 and 2014, 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.

(Continued)

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**

Loudon County, Tennessee  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015 and 2014

**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 receipt. These amounts are not reflected in the financial statements. Amounts received and remitted for the years ended June 30, 2015 and 2014 totaled \$5,395 and \$5,395, 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.
- **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, 2015 and 2014 accrued compensated absences (recorded in accordance with Government Accounting Standards Board Statement No. 16) of \$14,757 and \$14,757, respectively, 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 Agency are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided:*

Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or

(Continued)

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**

Loudon County, Tennessee  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015 and 2014

**NOTE 7 – EMPLOYEES' RETIREMENT PLAN (Continued):**

*Benefits Provided (Continued):*

after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLA's) after retirement. A COLA is granted each July for annuitants retired prior to the 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Employees Covered by Benefit Terms:*

At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	1
Active employees	<u>2</u>
	<u>3</u>

*Contributions:*

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The Agency makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the Agency were \$12,290 based on a rate of 8.48% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Agency's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (ASSET)**

The Agency's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

(Continued)

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**

Loudon County, Tennessee  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015 and 2014

**NOTE 7 – EMPLOYEES' RETIREMENT PLAN (Continued):**

**Net Pension Liability (ASSET) (Continued)**

*Actuarial assumptions:*

The total pension liability as of June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent.

(Continued)

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**

Loudon County, Tennessee  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015 and 2014

**NOTE 7 – EMPLOYEES' RETIREMENT PLAN (Continued):**

**Net Pension Liability (ASSET) (Continued)**

*Actuarial assumptions (Continued):*

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount rate:*

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Loudon County Economic Development Agency will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**  
 Loudon County, Tennessee  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015 and 2014

**NOTE 7 – EMPLOYEES' RETIREMENT PLAN (Continued):**

**Changes in the Net Pension Liability (Asset)**

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability (Asset) <u>(a) – (b)</u>
<b>Balance at June 30, 2013</b>	\$ 330,243	\$ 364,840	\$ (34,597)
<b>Changes for the year:</b>			
Service cost	3,601	-	3,601
Interest	25,038	-	25,038
Differences between expected and actual experience	16,061	-	16,061
Contributions – employer	-	12,014	(12,014)
Contributions – employees	-	7,026	(7,026)
Net investment income	-	62,054	(62,054)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	-	(94)	94
<b>Net Changes</b>	<u>44,700</u>	<u>81,000</u>	<u>(36,300)</u>
<b>Balance at June 30, 2014</b>	<u>\$ 374,943</u>	<u>\$ 445,840</u>	<u>\$ (70,897)</u>

*Sensitivity of the net pension liability (asset) to changes in the discount rate:*

The following presents the net pension liability (asset) of the Agency calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
The Agency's net pension liability (asset)	\$ (19,026)	\$ (70,897)	\$ (113,831)

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension expense:*

For the year ended June 30, 2015, Loudon County Economic Development Agency recognized pension income of \$9,147.

(Continued)

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**  
 Loudon County, Tennessee  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015 and 2014

**NOTE 7 – EMPLOYEES' RETIREMENT PLAN (Continued):**

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

*Deferred outflows of resources and deferred inflows of resources:*

For the year ended June 30, 2015, The Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 12,046	\$ -
Net difference between projected and actual earnings on pension plan investments	-	27,185
Contributions subsequent to the measurement date of June 30, 2014	<u>12,290</u>	<u>-</u>
Total	<u>\$ 24,336</u>	<u>\$ 27,185</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,		
2016	\$	(2,781)
2017		(2,781)
2018		(2,781)
2019		(6,796)
2020		-
Thereafter		-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**Payable to the Pension Plan**

At June 30, 2015, The Agency reported a payable of \$1,629 for outstanding amount of contributions to the pension plan required at the year ended June 30, 2015.

(Continued)

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**

Loudon County, Tennessee  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2015 and 2014

**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 – CAPITAL ASSETS:**

A summary of capital assets and depreciation is as follows:

	2015			
	<u>Balance</u> <u>7/1/14</u>	<u>Current</u> <u>Additions</u>	<u>Current</u> <u>Retirements/</u> <u>Reclassifications</u>	<u>Balance</u> <u>6/30/15</u>
<u>Depreciable Capital Assets:</u>				
Furniture and equipment	\$ 53,968	\$ -	\$ -	\$ 53,968
Less Accumulated Depreciation	<u>(50,201)</u>	<u>(2,082)</u>	<u>-</u>	<u>(52,283)</u>
Net Capital Assets	<u>\$ 3,767</u>	<u>\$ (2,082)</u>	<u>\$ -</u>	<u>\$ 1,685</u>
<u>Accumulated Depreciation:</u>				
Furniture and equipment	<u>\$ 50,201</u>	<u>\$ 2,082</u>	<u>\$ -</u>	<u>\$ 52,283</u>
	2014			
	<u>Balance</u> <u>7/1/13</u>	<u>Current</u> <u>Additions</u>	<u>Current</u> <u>Retirements/</u> <u>Reclassifications</u>	<u>Balance</u> <u>6/30/14</u>
<u>Depreciable Capital Assets:</u>				
Furniture and equipment	\$ 52,383	\$ 1,585	\$ -	\$ 53,968
Less Accumulated Depreciation	<u>(47,809)</u>	<u>(2,392)</u>	<u>-</u>	<u>(50,201)</u>
Net Capital Assets	<u>\$ 4,574</u>	<u>\$ (807)</u>	<u>\$ -</u>	<u>\$ 3,767</u>
<u>Accumulated Depreciation:</u>				
Furniture and equipment	<u>\$ 47,809</u>	<u>\$ 2,392</u>	<u>\$ -</u>	<u>\$ 50,201</u>

(Continued)

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**

Loudon County, Tennessee  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015 and 2014

**NOTE 11 – FUND BALANCES:**

All fund balances are unassigned at June 30, 2015.

**NOTE 12 – SUBSEQUENT EVENT:**

The date to which events occurring after June 30, 2015 the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is October 2, 2015, 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, 2015

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**  
Loudon County, Tennessee  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)**  
**AND RELATED RATIOS BASED ON PARTICIPATION IN THE**  
**PUBLIC EMPLOYEE PENSION PLAN OF TCRS**  
Last Fiscal Year Ended June 30,

	<u>2014</u>
<b>Total pension liability</b>	
Service cost	\$ 3,601
Interest	25,038
Changes in benefit terms	-
Differences between actual & expected experience	16,061
Change of assumptions	-
Benefit payments, including refunds of employee contributions	-
<b>Net change in total pension liability</b>	<u>44,700</u>
<b>Total pension liability-beginning</b>	<u>330,243</u>
<b>Total pension liability-ending (a)</b>	<u><u>\$ 374,943</u></u>
<b>Plan fiduciary net position</b>	
Contributions – employer	\$ 12,014
Contributions – employee	7,026
Net investment income	62,054
Benefit payments, including refunds of employee contributions	-
Administrative expense	(94)
<b>Net change in plan fiduciary net position</b>	<u>81,000</u>
<b>Plan fiduciary net position – beginning</b>	<u>364,840</u>
<b>Plan fiduciary net position – ending (b)</b>	<u><u>\$ 445,840</u></u>
<b>Net Pension Liability (asset)-ending (a) – (b)</b>	<u><u>\$ (70,897)</u></u>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	118.91%
<b>Covered-employee payroll</b>	\$ 140,519
<b>Net Pension liability (asset) as a percentage of covered-employee payroll</b>	50.45%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will add to this schedule in future fiscal years until 10 years of information is available.

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**  
 Loudon County, Tennessee  
**SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE  
 PUBLIC EMPLOYEE PENSION PLAN OF TCRS**  
 Past Fiscal Year Ended June 30,

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 12,014	\$ 12,290
Contributions in relation to the actuarially determined contribution	<u>(12,014)</u>	<u>(12,290)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 140,519	\$ 144,928
Contributions as a percentage covered – employee payroll	8.55%	8.48%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**

Loudon County, Tennessee

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES

PRESENTED ON PAGES 33-34

For the Fiscal Year Ended June 30, 2015

*Valuation date:*

Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	11 years
Asset valuation	10-year smoothed with a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

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

**SUPPLEMENTAL SCHEDULES**

June 30, 2015

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**  
 Loudon County, Tennessee  
**CAPTIAL ASSETS USED IN GOVERNMENTAL ACTIVITIES**  
**SCHEDULE OF GENERAL CAPITAL ASSETS**  
 June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Depreciable Capital Assets:		
Equipment, net of depreciation .....	\$ <u>1,685</u>	\$ <u>3,767</u>
Investment in Capital Assets .....	\$ <u>1,685</u>	\$ <u>3,767</u>

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, 2015 and 2014

	<u>2015 Capital Assets</u>				<u>2015 Accumulated Depreciation</u>				
	<u>Balance</u>	<u>Current</u>	<u>Current</u>	<u>Balance</u>	<u>Balance</u>	<u>Current</u>	<u>Current</u>	<u>Balance</u>	<u>Net</u>
	<u>7/1/14</u>	<u>Additions</u>	<u>Retirements</u>	<u>6/30/15</u>	<u>7/1/14</u>	<u>Additions</u>	<u>Retirement</u>	<u>6/30/15</u>	<u>Book</u>
							<u>Reclassifications</u>		<u>Value</u>
Furniture and Equipment	<u>\$ 53,968</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,968</u>	<u>\$ 50,201</u>	<u>\$ 2,082</u>	<u>\$ -</u>	<u>\$ 52,283</u>	<u>\$ 1,685</u>

  

	<u>2014 Capital Assets</u>				<u>2014 Accumulated Depreciation</u>				
	<u>Balance</u>	<u>Current</u>	<u>Current</u>	<u>Balance</u>	<u>Balance</u>	<u>Current</u>	<u>Current</u>	<u>Balance</u>	<u>Net</u>
	<u>7/1/13</u>	<u>Additions</u>	<u>Retirements</u>	<u>6/30/14</u>	<u>7/1/13</u>	<u>Additions</u>	<u>Retirement</u>	<u>6/30/14</u>	<u>Book</u>
							<u>Reclassifications</u>		<u>Value</u>
Furniture and Equipment	<u>\$ 52,383</u>	<u>\$ 1,585</u>	<u>\$ -</u>	<u>\$ 53,968</u>	<u>\$ 47,809</u>	<u>\$ 2,392</u>	<u>\$ -</u>	<u>\$ 50,201</u>	<u>\$ 3,767</u>

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

	<u>2015</u>	<u>2014</u>
General Fund	<u>\$ 2,082</u>	<u>\$ 2,392</u>

accompanying independent auditors' report and notes.

**LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.**

Loudon County, Tennessee

**SCHEDULE OF INSURANCE IN FORCE**

June 30, 2013

<u>Insurance Company/Agency</u>	<u>Policy Number</u>	<u>Period</u>	<u>Description</u>
Westfield Insurance Company	CWP 3-333-832	7-1-14 to 7-1-15	<u>Commercial Property</u> \$40,000 Building coverage at 80% co-insurance – 274 Blair Bend Road  \$25,000 Contents coverage at 80% co-insurance – 274 Blair Bend Road  <u>General Liability</u> \$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  <u>Automobile Liability</u> 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  <u>Crime</u> \$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	7-1-14 to 7-1-15	\$1,000,000 Directors and Officers Liability; \$5,000 Retention \$1,000,000 Employment Practices Liability; \$5,000 Retention
Westfield Insurance Company	WCP4470468	7-1-14 to 7-1-15	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 COMPLAINE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

June 30, 2015



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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, 2015 and 2014, 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 2, 2015.

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

*Ingram, Overholt & Bean, PC*

Alcoa, Tennessee

October 2, 2015