TENNESSEE COUNTY SERVICES LOAN PROGRAM

Nashville, Tennessee

FINANCIAL STATEMENTS

June 30, 2015 and 2014

TENNESSEE COUNTY SERVICES LOAN PROGRAM

June 30, 2015 and 2014

TABLE OF CONTENTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Senior Management
Tennessee County Services Loan Program
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Tennessee County Services Loan Program which comprise the balance sheets as of June 30, 2015 and 2014, the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tennessee County Services Loan Program as of June 30, 2015 and 2014, and the changes in financial position and cash flows 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 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 11, 2015, on our consideration of the Tennessee County Services Loan Program'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 Tennessee County Services Loan Program's internal control over financial reporting and compliance.

Pugh & Company, P.C.
Certified Public Accountants
Knoxville, Tennessee
December 11, 2015

TENNESSEE COUNTY SERVICES LOAN PROGRAM
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
For the Year Ended June 30, 2015

INTRODUCTION

Our discussion and analysis of the Tennessee County Services Loan Program's financial performance provides a narrative overview of the Program's financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the audited financial statements and other information included in this report.

The Tennessee County Services Loan Program (the Program) administers and manages revenue bonds issued to Counties in Tennessee for qualifying projects through the Public Building Authority of the Montgomery County, Tennessee. The Program has delegated management and administrative services responsibilities to The Tennessee Municipal Bond Fund.

2015 FISCAL YEAR HIGHLIGHTS

- The Tennessee Municipal Bond Fund and Tennessee County Services Loan Program exceeded the $4.0 billion dollar mark in loans closed since inception during the fiscal year ended June 30, 2015.
- The Program is administering in-house variable and fixed rate bank loans through the Public Building Authority of Montgomery County, Tennessee. This program was developed to keep pace with increasing demand from borrowers.
- Total loans outstanding through the Program were $499,838,175 as of June 30, 2015, as compared to $510,464,310 as of June 30, 2014, or a decrease of 2.1%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The audited financial statements of the Tennessee County Services Loan Program (a proprietary fund) report information about the Program as a whole using accounting methods similar to those used by private-sector companies. The financial statements are presented on the full accrual basis of accounting and include the Balance Sheets, the Statements of Revenue, Expenses and Changes in Net Position, the Statements of Cash Flows and the Notes to Financial Statements.

The Balance Sheets include all the Program's assets and liabilities. Assets and liabilities are classified in the order of relative liquidity for assets and due date for liabilities. This statement provides a summary of the Program's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in this statement. The Statements of Revenue, Expenses and Changes in Net Position summarize the Program's revenues and expenses for each year. All of the revenues and expenses are accounted for in the Statements of Revenue, Expenses and Changes in Net Position regardless of when cash is received or paid. The Statements of Cash Flows present changes in cash and cash equivalents, resulting from operating, noncapital financing, and investing activities. These statements present cash receipts and cash disbursements information, without consideration of the earnings event or when an obligation arises. These statements also report the sources and uses of cash and cash equivalents during the reporting period and reconcile cash flows to operating income.

The financial statements report the Program's net position and how it has changed. Net position, the difference between the Program's assets and liabilities, is one way to measure the Program's financial health or position.

- Over time, increases or decreases in the Program's net position is an indicator of whether its financial position is improving or deteriorating; however, as a non-profit organization, fluctuations in net position from year to year could also be an indication that the Program is assisting Tennessee Counties in obtaining low cost financing rather than being concerned with continuous growth of net position.

TENNESSEE COUNTY SERVICES LOAN PROGRAM
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
For the Year Ended June 30, 2015

- To assess the Program's overall health, you need to consider additional non-financial factors such as changes in the Program's administration fees charged to borrowers, timing of municipal bond financing pools and market conditions.

NOTES TO FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to financial statements can be found on pages 10-16 of this report.

ECONOMIC FACTORS

Administration fees received from the counties that borrow money from the bond financing pools are major sources of income for the Program; therefore, the economic outlook for all borrowers directly affects that of the Program.

FINANCIAL ANALYSIS OF THE PROGRAM AS A WHOLE

Net position is an indicator of the fiscal health of the Program. Assets exceeded liabilities by $7.409 million as of June 30, 2015.

Following is a summary of the Balance Sheets:

Table 1
Condensed Balance Sheets
as of June 30,

	2015	2014	2013
Current Assets	$ 7,688,470	$ 8,228,046	$ 7,656,102
Other Assets	9,149,100	9,567,800	0
Total Assets	$ 16,837,570	$ 17,795,846	$ 7,656,102
Current Liabilities	$ 443,452	$ 498,416	$ 54,644
Long-Term Liabilities	8,985,000	9,385,000	0
Total Liabilities	9,428,452	9,883,416	54,644
Net Position	7,409,118	7,912,430	7,601,458
Total Labilities and Net Position	$ 16,837,570	$ 17,795,846	$ 7,656,102

TENNESSEE COUNTY SERVICES LOAN PROGRAM
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
For the Year Ended June 30, 2015

The following table shows a summary of the Revenues, Expenses and Changes in Net Position for the Program for the current and two prior fiscal years.

Table 2
Condensed Statements of Revenue, Expenses and Changes in Net Position
for the Years Ended June 30,

	2015	2014	2013
Operating Revenues	$ 732,671	$ 777,278	$ 817,432
Operating Expenses	(1,447,941)	(979,230)	(1,221,944)
Income (Loss) from Operations	(715,270)	(201,952)	(404,512)
Non-operating Revenues (Expenses)	211,958	512,924	289,564
Change in Net Position	(503,312)	310,972	(114,948)
Beginning Net Position	7,912,430	7,601,458	7,716,406
Ending Net Position	$ 7,409,118	$ 7,912,430	$ 7,601,458

Total operating activities generated revenues during fiscal year 2015 of $733 thousand while expenses totaled $1.448 million. Non-operating revenues for 2015 were $212 thousand. The resulting decrease in net position totaled $503 thousand. Total operating activities generated revenues during fiscal year 2014 of $777 thousand while expenses totaled $979 thousand. Non-operating revenues for 2014 were $513 thousand. The resulting increase in net position totaled $311 thousand.

Operating revenues decreased by approximately $45,000 from fiscal year 2014 to fiscal year 2015 and decreased approximately $40,000 from fiscal year 2013 to fiscal year 2014. The decrease in operating revenues is a result of a decrease in outstanding loans being administered by the Program compared to the prior year.

Operating expenses increased by approximately $469,000 from fiscal year 2014 to fiscal year 2015 and decreased approximately $243,000 from fiscal year 2013 to 2014. In fiscal year 2015, compensation and bonuses increased over prior year levels by approximately $476,000. Comparing expenses in fiscal year 2013 to 2014, no federal arbitrage rebate payment was made in 2014 compared to an approximate $271,000 payment made in 2013.

Due to market conditions, the Program's investments experienced a net loss of $(52,307) during 2015, as compared to a net gain of $239,665 in 2014 and a net gain of $140,201 in 2013.

TENNESSEE COUNTY SERVICES LOAN PROGRAM
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
For the Year Ended June 30, 2015

BUDGETARY HIGHLIGHTS

Formal budgetary integration is employed as a management control device during the year for the Program. All budget variances are reviewed on a monthly basis. It is management's policy to not alter the original budget during the year; therefore, actual results can vary significantly from the estimates at the beginning of the year. Over the course of the year, the Program's revenues and expenditures were slightly more than budgeted amounts.

NEXT YEAR'S BUDGET

The revenue estimates for next year were projected based on the borrowers remaining in the pooled loan programs of each series that the Program administers. Other revenue sources were budgeted based on management's reasonable expectations. Using this revenue estimate as a guide, the budget was prepared by estimating the operating needs of the Program.

Total revenue is budgeted to be $1.42 million and total expenditures are budgeted to be $1.42 million for the fiscal year ending June 30, 2016.

No other facts, decisions, or conditions are currently known which would have a significant impact on the financial condition and results of operations of the Program during the fiscal year ending June 30, 2016.

REQUESTS FOR INFORMATION

This report is intended to provide a summary of the financial condition of the Tennessee County Services Loan Program. Questions or requests for additional information should be addressed to:

Mr. Charles G. "Bones" Seivers
President - CEO
Tennessee County Services Loan Program
226 Capital Blvd. Suite 502
Nashville, TN 37219

TENNESSEE COUNTY SERVICES LOAN PROGRAM

BALANCE SHEETS

As of June 30,	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,949,834	$ 1,550,829
Investments	5,028,503	5,966,638
Notes Receivable - Short-Term	418,700	317,415
Fees Receivable	235,460	266,636
Interest Receivable	45,973	116,528
Other Current Assets	10,000	10,000
Total Current Assets	7,688,470	8,228,046
NONCURRENT ASSETS		
Notes Receivable - Long-Term	9,149,100	9,567,800
TOTAL ASSETS	$ 16,837,570	$ 17,795,846
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	$ 5,000	$ 100,004
Accrued Interest	38,452	98,197
Notes Payable - Short-Term	400,000	300,215
Total Current Liabilities	443,452	498,416
NOTES PAYABLE - LONG-TERM	8,985,000	9,385,000
NET POSITION - UNRESTRICTED	7,409,118	7,912,430
TOTAL LIABILITIES AND NET POSITION	$ 16,837,570	$ 17,795,846

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

TENNESSEE COUNTY SERVICES LOAN PROGRAM

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Years Ended June 30,	2015	2014
OPERATING REVENUES		
Program Administration Fees	$ 732,671	$ 777,278
OPERATING EXPENSES		
Compensation and Contract Labor	1,166,619	690,240
Loan Closing Fees and Promotion	105,818	140,819
Tennessee County Services Association Sponsorship Fee	50,000	50,000
Special Events Fee	50,000	50,000
Professional Fees	50,900	30,300
Travel and Entertainment	14,925	11,737
Board Meetings and Travel Reimbursements	3,600	3,975
Other	6,079	2,159
Total Operating Expenses	1,447,941	979,230
INCOME (LOSS) FROM OPERATIONS	(715,270)	(201,952)
NONOPERATING REVENUES (EXPENSES)		
Gain (Loss) on Investments, Net	(52,307)	239,665
Interest and Dividend Income	505,165	371,456
Interest Expense	(240,900)	(98,197)
Net Nonoperating Revenues	211,958	512,924
CHANGE IN NET POSITION	(503,312)	310,972
NET POSITION, BEGINNING OF YEAR	7,912,430	7,601,458
NET POSITION, END OF YEAR	$ 7,409,118	$ 7,912,430

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

TENNESSEE COUNTY SERVICES LOAN PROGRAM

STATEMENTS OF CASH FLOWS

For the Years Ended June 30,	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	$ 763,847	$ 729,201
Cash Paid to Employees and Contract Labor	(1,166,619)	(690,240)
Cash Paid to Suppliers	(376,326)	(243,630)
Net Cash Provided by (Used in) Operating Activities	(779,098)	(204,669)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Notes Payable	0	9,685,215
Principal Paid on Notes Payable	(300,215)	0
Interest Paid on Notes Payable	(300,645)	0
Net Cash Provided by (Used in) Noncapital Financing Activities	(600,860)	9,685,215
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(5,443,541)	(3,083,475)
Proceeds from Sales of Investments	6,329,369	2,834,067
Interest and Dividends Received	575,720	254,928
Issuance of Notes Receivable	0	(9,885,215)
Collection of Notes Receivable	317,415	0
Net Cash Provided by (Used in) Investing Activities	1,778,963	(9,879,695)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	399,005	(399,149)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,550,829	1,949,978
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,949,834	$ 1,550,829
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Income (Loss) from Operations	$ (715,270)	$ (201,952)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
(Increase) Decrease in Assets:		
Fees Receivable	31,176	(48,077)
Increase (Decrease) in Liabilities:		
Accounts Payable	(95,004)	45,360
Total Adjustments	(63,828)	(2,717)
Net Cash Provided by (Used in) Operating Activities	$ (779,098)	$ (204,669)
Supplementary Schedule of Noncash Activities:		
Gain (Loss) on Investments, Net	$ (52,307)	$ 239,665

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

TENNESSEE COUNTY SERVICES LOAN PROGRAM

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2015 and 2014

NOTE 1 - ORGANIZATION

The Local Government Bond Fund, a nonprofit association, was organized in accordance with the applicable laws of the State of Tennessee in 1986 to provide management and administrative services in connection with the county bond financing pools. Pursuant to the provisions of Section 48-60 of the Tennessee Nonprofit Corporation Act, The Local Government Bond Fund adopted an amendment to its Charter effective in 1996 to change its name to the Tennessee County Services Loan Program. The Program has delegated management and administrative services responsibilities to The Tennessee Municipal Bond Fund.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of the Tennessee County Services Loan Program have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

GAAP establishes standards for external financial reporting for all state and local governmental entities, which includes a balance sheet, a statement of revenues, expenses and changes in net position and a statement of cash flows. It requires the classification of net position into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- Restricted - This component of net position consists of restrictions placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or restrictions imposed by law through constitutional provisions or enabling legislation. The Program does not have any restricted net position.
- Unrestricted Net Position - This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.” These are available for current use by the Program.

Fund Structure and Basis of Accounting - The accounts of the Tennessee County Services Loan Program are organized on the basis of a proprietary fund type and are considered a separate accounting entity. The operation of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, and revenues and expenses, as appropriate. Government resources are allocated to and accounted for in the fund based on the purposes for which they are to be spent and the means by which spending activities are controlled. The fund, in the financial statements of this report, is an Enterprise Fund - Proprietary Fund Type. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied.

The proprietary fund is accounted for using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Program are program administration fees. Operating expenses for the Program include compensation and contract labor, program fees and various administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Program's policy to use restricted resources first, then unrestricted resources as they are needed.

Budget - Formal budgetary integration is employed as a management control device during the year for the Program. This budget is prepared on a basis consistent with GAAP.

Cash and Cash Equivalents - For the purpose of the statements of cash flows, the Program considers all highly liquid bank accounts and investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments - Investments are stated at estimated fair value based on quoted market prices (see Notes 4 and 5). Any unrealized gain or loss has been reflected in gain or loss on investments in the statements of revenues, expenses and changes in net position.

Notes Receivable - Notes receivable consist of fixed rate simple interest obligations of Tennessee counties and municipalities which require periodic payments of principal and interest at least annually and are secured by the full faith and credit of the entities originating them. Principal prepayments are allowed without penalty.

Estimates - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect certain reported amounts and disclosures. Accordingly, actual results could vary from those estimates.

Tax Status - These financial statements do not include provisions for state or federal income taxes because the Program operates as a nonprofit, tax-exempt organization. In addition, the Program does not file any activity reporting forms with the federal or state taxing authorities.

Evaluation of Subsequent Events - The Program's management has evaluated subsequent events through December 11, 2015, which is the date the financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure.

NOTE 3 - CUSTODIAL CREDIT RISK - DEPOSITS

For cash and cash equivalents and certificates of deposit, this is the risk that, in the event of a bank failure, the Program's deposits may not be available or the Program will not be able to recover collateral securities in the possession of an outside party. The Program's policy requires that deposits be either (i) secured and collateralized by the institutions at 105% of the value of the deposits placed in the institution, less the amount protected by federal depository insurance or (ii) that deposits be placed in financial institutions that participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Institutions participating in the collateral pool determine the aggregated balance of their public fund accounts. The amount of collateral required to secure these public deposits must be at least 105% of the average daily balance of public deposits held.

NOTE 3 - CUSTODIAL CREDIT RISK - DEPOSITS (Continued)

The Program maintains its bank accounts in four financial institutions. The bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to applicable limits. Three of these banks participate in the Tennessee Bank Collateral Pool of the State of Tennessee Treasury Department. A summary of bank balances as of June 30, 2015 is as follows:

Bank Deposits Covered By:	
Tennessee Bank Collateral Pool	$ 1,205,074
FDIC Insurance	755,270
	$ 1,960,344

NOTE 4 - INVESTMENTS

The Program's investments are stated at estimated fair value and consist of the following as of June 30:

	2015		2014	
	Number of Shares	Estimated Fair Value	Number of Shares	Estimated Fair Value
Mutual Funds:				
Ally Financial Incorporated	100,000	$ 98,875	0	$ 0
Angel Oak Multi-Strategy Income Fund Institutional Shares	48,643	587,609	47,122	574,888
Blackstone / GSO Strategic Credit Fund	0	0	8,700	154,599
Diamond Hill Long-Short	0	0	5,774	137,594
Dollar General Corporation	75,000	71,352	0	0
Equinix Inc.	100,000	99,500	0	0
Fidelity Advisor New Insights Fund Institutional Class	16,232	456,106	16,141	458,404
First Eagle Overseas Fund Institutional Class	2,984	70,423	2,984	75,227
First Trust Large Cap Core AlphaDEX ETF	13,188	604,538	1,930	85,538
FPA Perennial Fund, Inc.	1,512	80,771	1,512	80,937
Goldman Sachs Strategic Income Institutional Class	0	0	55,091	581,871
H.J. Heinz Company	100,000	102,125	0	0
HCA Holdings, Inc.	100,000	100,750	0	0
iShares Barclays 20+ Year Treasury Bond Fund	0	0	800	90,816
iShares iBoxx $ Investment Grade Corporate Bond Fund	0	0	2,135	254,620
Ishares TR MSCI EAFE Fd	3,285	208,565	0	0
Ishares TRUST S&P 500	1,411	292,387	0	0
Lord Abbett Floating Rate Fund	33,027	303,845	59,647	565,454
MFS Value Fund Institutional Class	15,514	545,617	15,343	529,794
Nuveen Build America Bond Fund	0	0	16,175	331,588
PowerShares S&P 500 Low Volatility Portfolio	8,375	306,867	4,605	163,892
Prudential Jennison Small Company Fund Class Z	7,382	208,320	4,736	144,495
Rydex S&P 500 Index	3,673	293,105	0	0
Schroder Absolute Return EMD and Currency Fund	0	0	44,205	456,638
TCW Total Return Bond Fund	0	0	50,165	515,195
The ADT Corp	100,000	101,750	0	0
United States Steel Corp.	100,000	103,750	0	0
Western Asset Core Plus Bond Fund	29,367	338,016	39,179	455,260
Money Market Funds:				
Merrill Lynch WCMA Money Fund	0	0	309,828	309,828
LBMC Money Market Fund	54,232	54,232	0	0
		$ 5,028,503		$ 5,966,638

NOTE 5 - FAIR VALUE DISCLOSURES

GAAP generally permits the measurement of selected eligible financial instruments at fair value at specified election dates. The Program has not elected to adopt the fair value option for any financial instruments. However, other accounting pronouncements require the Program to measure its investments at fair value as described below.

GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset and liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or the liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs are unobservable inputs for the asset or liability. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Unobservable inputs reflect the reporting entity’s own assumptions about the assumptions that market participants would use in pricing the asset or liability.

A description of valuation methodologies used for assets recorded at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. The categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets Recorded at Estimated Fair Value on a Recurring Basis

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Program are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Program are deemed to be actively traded.

Money Market Funds: Valued at the daily closing price as reported by the fund. This fund is required to publish its daily net asset value (NAV) and to transact at that price. The fund is deemed to be actively traded. The NAV is used as a practical expedient to estimating fair value. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. Transactions (issuance and redemptions) may occur daily. Were the Bond Fund to initiate a full redemption of the fund, the investment adviser reserves the right to temporarily delay withdrawal from the fund in order to ensure that securities liquidations will be carried out in an orderly business manner. The fund is designed to protect capital with low-risk investments and includes U.S. Government Agency Securities, Repurchase Agreements and various U.S. Treasury Securities.

NOTE 5 - FAIR VALUE DISCLOSURES (Continued)

Below is a table that presents information about the Program's investments that are measured at estimated fair value on a recurring basis:

	Carrying Amount in the Statement of Financial Position	Estimated Fair Value Measurements Using: Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of June 30, 2015				
Mutual Funds:				
Bank Loan Bond Funds	$ 303,845	$ 303,845	$ 0	$ 0
Domestic Bonds	678,102	678,102	0	0
Emerging Markets Bond Funds	0	0	0	0
Foreign Large Cap Blend Equity Funds	278,988	278,988	0	0
Intermediate Term Bond Fund	338,016	338,016	0	0
Large Blend Funds	604,538	604,538	0	0
Large Cap Growth Equity Funds	1,041,598	1,041,598	0	0
Large Cap Value Equity Funds	852,484	852,484	0	0
Long Term Bond Funds	0	0	0	0
Long Term Government Bond Funds	0	0	0	0
Long/Short Equity Funds	0	0	0	0
Mid Cap Growth Equity Funds	80,771	80,771	0	0
Multisector Bond Funds	587,609	587,609	0	0
Nontraditional Bond Funds	0	0	0	0
Small Cap Growth Equity Funds	208,320	208,320	0	0
Money Market Funds	54,232	54,232	0	0
Total Investments at Estimated Fair Value	$ 5,028,503	$ 5,028,503	$ 0	$ 0
As of June 30, 2014				
Mutual Funds:				
Bank Loan Bond Funds	$ 720,053	$ 720,053	$ 0	$ 0
Domestic Bonds	0	0	0	0
Emerging Markets Bond Funds	456,638	456,638	0	0
Foreign Large Cap Blend Equity Funds	75,227	75,227	0	0
Intermediate Term Bond Fund	970,455	970,455	0	0
Large Blend Funds	85,538	85,538	0	0
Large Cap Growth Equity Funds	458,404	458,404	0	0
Large Cap Value Equity Funds	693,686	693,686	0	0
Long Term Bond Funds	586,208	586,208	0	0
Long Term Government Bond Funds	90,816	90,816	0	0
Long/Short Equity Funds	137,594	137,594	0	0
Mid Cap Growth Equity Funds	80,937	80,937	0	0
Multisector Bond Funds	574,888	574,888	0	0
Nontraditional Bond Funds	581,871	581,871	0	0
Small Cap Growth Equity Funds	144,495	144,495	0	0
Money Market Funds	309,828	309,828	0	0
Total Investments at Estimated Fair Value	$ 5,966,638	$ 5,966,638	$ 0	$ 0

There were no transfers between the levels during the years ended June 30, 2015 and 2014.

NOTE 6 - NOTES RECEIVABLE

Notes receivable consist of the following as of June 30, 2015 and 2014:

	2015	2014
Town of Garland, 2.00%, Matures November 2023	$ 182,800	$ 200,000
Anderson County, 2.950%, Matures May 2031	5,010,000	5,180,000
Anderson County, 2.950%, Matures May 2031	4,375,000	4,505,215
	9,567,800	9,885,215
Less Notes Receivable - Short-Term	(418,700)	(317,415)
Notes Receivable - Long-Term	$ 9,149,100	$ 9,567,800

Annual principal payments of the notes receivable are due as follows for the year ending June 30:

2016	$ 418,700
2017	434,100
2018	444,500
2019	444,900
2020	445,300
2021-2025	2,210,300
2026-2030	4,225,000
2031	945,000
	$ 9,567,800

NOTE 7 - NOTES PAYABLE

Effective February 4, 2014, the Program entered into an agreement with the Local Government Workers Compensation Fund to issue two notes payable in the amounts of $5,180,000 and $4,505,215 for the purpose of making loans to certain entities (see Note 6). These notes have fixed interest rates and interest payments are due semi-annually. The notes mature May 2031 and are secured by an assignment of certain notes receivable issued to the Program (see Note 6). The outstanding balance of these notes payable at June 30, 2015 and 2014 is $9,385,000 and $9,685,215, respectively.

Future maturities of the notes payable at June 30, 2015 are as follows:

2016	$ 400,000
2017	415,000
2018	425,000
2019	425,000
2020	425,000
2021-2025	2,125,000
2026-2030	4,225,000
2031-2032	945,000
	$ 9,385,000

NOTE 8 - CONTINGENT REBATE LIABILITY AND FEDERAL ARBITRAGE REBATE

The Program is required to monitor and assess each of the county bond financing pools' compliance with Internal Revenue Code Section 148 related to arbitrage. In general, arbitrage is earned when the gross proceeds of a pool are used to acquire investments that earn a yield materially higher than the yield of the pool during a five year period. Proceeds of the pools are invested until the county borrowers draw all of the funds they are borrowing under the pool. The Program has the ability to charge additional fees to certain borrowers as needed to cover arbitrage liabilities. The Program calculates the amount of arbitrage and pays that amount to the U.S. Treasury. The amounts of the contingent rebate liability and the federal arbitrage rebate expense were $0 and $0 as of and for the year ended June 30, 2015 ($0 and $0 as of and for the year ended June 30, 2014) and are based on management's estimate of the amounts due in the next year compared to the amounts held in trust to pay arbitrage.

NOTE 9 - RISK MANAGEMENT

The Program is exposed to various risks of loss similar to a commercial business, such as general liability, errors and omissions, injuries to employees, claims and assessments, and other situations. The Program purchases commercial insurance for the significant risks of loss. Settled claims have not exceeded the insurance coverage limits in any of the past three fiscal years. It is the opinion of management that the disposition or ultimate resolution of any claims and assessments will not have a material adverse effect on the financial position of the Program.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors and Senior Management
Tennessee County Services Loan Program
Nashville, 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 Tennessee County Services Loan Program, which comprise the balance sheets as of June 30, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended and the related notes to the financial statements, and have issued our report thereon dated December 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Tennessee County Services Loan Program'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 Tennessee County Services Loan Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tennessee County Services Loan Program's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tennessee County Services Loan Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
December 11, 2015