

**EAST TENNESSEE REGIONAL AGRIBUSINESS
MARKETING AUTHORITY**

AUDITED FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2015

**East Tennessee Regional Agribusiness Marketing Authority
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June 30, 2015**

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CRAINE, THOMPSON & JONES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
East Tennessee Regional Agribusiness Marketing Authority
White Pine, Tennessee

We have audited the accompanying financial statements of East Tennessee Regional Agribusiness Marketing Authority (the "Authority") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's financial statements as listed in the table on 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 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 audit to obtain reasonable assurance about whether the financial statements are free of 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 East Tennessee Regional Agribusiness Marketing Authority as of June 30, 2015, and the respective changes in net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

JAMES W. CRAINE, CPA
GLENN B. THOMPSON, CPA
MIRA J. CRAINE, CPA

HIRAM H. JONES, CPA
TERRY M. WINSTEAD, CPA

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in the 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 inquires of management about the methods of preparing the information and comparing 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 evident to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other information is presented for the purpose of additional information and is not a required part of the financial statements. The other information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2016, on our consideration of East Tennessee Regional Agribusiness Marketing Authority'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 East Tennessee Regional Agribusiness Marketing Authority's internal control over financial reporting and compliance.

Craine Thompson & Jones, P.C.

CRAINE, THOMPSON & JONES, P.C.
Morristown, Tennessee
February 26, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of East Tennessee Regional Agribusiness Marketing Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the Authority's financial statements, which begin on page 7.

Financial Highlights of the Authority

- East Tennessee Regional Agribusiness Marketing Authority's net position decreased by \$42,374 for the fiscal year ended June 30, 2015
- During the fiscal year ended June 30, 2015, the Authority had operating expenses that were \$39,785 more than the \$131,648 generated in operating revenues
- The Authority's operating revenues increased by 17.03% for the fiscal year ended June 30, 2015, and its operating expenses increased by 15.43%

Using These Annual Financial Statements

East Tennessee Regional Agribusiness Marketing Authority is a public and governmental entity acting as an agent for the following counties: Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, Johnson, Sullivan, Unicoi, and Washington.

The Authority is an enterprise fund, operating much like a private-sector company and is considered a business-type activity. The Authority receives commissions from sales of agricultural products and rental income from various leases.

This annual report of the East Tennessee Regional Agribusiness Marketing Authority consists of a series of financial statements. The Statement of Net Position, the Statement of Revenues and Expenses and Changes in Net Position, and the Statement of Cash Flows (on pages 7-9) provide information about the Authority's operations. These statements include all assets and liabilities of the Authority using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the Authority's revenues and expenses for the year ended June 30, 2015 have been taken into account regardless of when cash was received or paid.

The Statement of Net Position and the Statement of Revenues and Expenses and Changes in Net Position report the Authority's net position and changes in it. The term "net position" is the difference between assets and liabilities as of a certain point in time. The financial health, or *financial assets*, of the Authority can be measured, in part by the amount of its net position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. Of course, there are other non-financial factors in assessing the overall health of the Authority, such as providing a market for the farmers of the region to sell their products, and providing buyers a convenient place to purchase the products.

Authority Details

As previously stated, the Authority's net position decreased by \$42,374 during the fiscal year ended June 30, 2015. The unrestricted net position – the part of the net position that can be used to finance day-to-day operations without constraints established by legal requirements – changed from \$294,854 at June 30, 2014 to \$294,868 at June 30, 2015, an increase of \$14. Operating expenses of the Authority have continued to exceed revenues.

The Authority's primary purpose in providing the regional food distribution center is to further the economy and growth of the agricultural industry in the counties it serves. Management continually strives to find new markets and buyers for the products the farmers produce as well as encouraging farmers to bring their products to the center to sell.

The Authority also leases various portions of its buildings and land to several tenants. During the 2015 fiscal year, lease income totaled \$130,553, an increase of \$20,801 over the prior fiscal year.

Operating expenses increased by \$22,916 for the year ended June 30, 2015.

The following tables summarize the Authority's Net Position (Table 1) and Changes in Net Position (Table 2).

Table 1
 Net Position

	<u>2015</u>	<u>2014</u>
Cash and other assets	\$ 296,718	\$ 364,004
Capital assets	<u>4,357,857</u>	<u>4,400,245</u>
Total assets	4,654,575	4,764,249
 Total liabilities	 (1,850)	 (9,150)
 Net position		
Net investment in capital assets	4,357,857	4,400,245
Unrestricted	<u>294,868</u>	<u>294,854</u>
Total net position	<u>\$ 4,652,725</u>	<u>\$ 4,695,099</u>

Table 2
 Changes in Net Position

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Commissions	\$ 585	\$ 1,659
Lease income	130,553	109,752
Scale usage	510	930
Miscellaneous	-	150
Total operating revenues	<u>131,648</u>	<u>112,491</u>
Operating expense:		
Contracted services	13,022	15,753
Travel	2,863	-
Utilities	2,327	2,688
Telephone	1,252	960
Insurance	11,004	10,363
Repairs and maintenance	28,659	9,936
Supplies	2,016	143
Professional services	4,120	4,997
Miscellaneous	311	195
Depreciation	<u>105,859</u>	<u>103,482</u>
Total operating expense	<u>171,433</u>	<u>148,517</u>
Operating loss	(39,785)	(36,026)
Non-operating revenues	7,411	7,856
Non-operating expenses	<u>10,000</u>	<u>-</u>
Non-operating loss	<u>(2,589)</u>	<u>7,856</u>
Change in net position	<u><u>\$(42,374)</u></u>	<u><u>\$(28,170)</u></u>

Capital Assets

At June 30, 2015, East Tennessee Regional Agribusiness Marketing Authority had \$5,880,531 invested in capital assets (before accumulated depreciation), the majority of which was invested in land and buildings (\$5,159,853). The remaining capital assets consisted of equipment. Net capital assets decreased by \$42,388 for the year ended June 30, 2015. The decrease was due to depreciation expense (\$105,859) exceeding capital asset purchases totaling \$63,471, which was to enclose an open air building in order to convert the building into a warehouse.

The following table summarized the Authority's capital assets for the years ended June 30, 2015 and 2014 (Table 3).

Table 3
Capital Assets at June 30, (net of depreciation)

	<u>2015</u>	<u>2014</u>
Land	\$ 463,549	\$ 463,549
Land improvements	2,506,093	2,506,093
Buildings	1,100,360	1,099,471
Equipment	<u>288,855</u>	<u>331,132</u>
Totals	<u>\$ 4,358,857</u>	<u>\$ 4,400,245</u>

Economic Factors

East Tennessee Regional Agribusiness Marketing Authority's income is dependent upon maintaining operating leases and receiving produce from area farmers. If the Authority is unable to lease the property or if farmers are unable to supply the produce, then the Authority's operations and income are limited.

Contacting the Authority's Financial Management

This financial report is designed to provide the citizens and taxpayers with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact East Tennessee Regional Agribusiness Marketing Authority's business office at 1715 Garden Valley Drive, White Pine, Tennessee 37890.

East Tennessee Regional Agribusiness Marketing Authority
Statement of Net Position
June 30, 2015

Assets

Current Assets:

Cash and cash equivalents	\$ 293,468
Prepaid insurance	<u>2,890</u>

Total Current Assets 296,358

Noncurrent Assets:

Utility deposits	360
Capital assets	
Land	463,549
Land improvements	2,506,093
Building	2,190,211
Equipment	<u>720,678</u>
Total capital assets	5,880,531
Accumulated depreciation	<u>(1,522,674)</u>
Net capital assets	<u>4,357,857</u>

Total Noncurrent Assets 4,358,217

Total Assets \$ 4,654,575

Liabilities and Net Position

Current Liabilities:

Current liabilities payable from current assets	
Unearned revenue - prepaid rent	\$ 1,850
Total Liabilities	<u>1,850</u>

Net position

Investment in capital assets	4,357,857
Unrestricted	<u>294,868</u>
Total Net Position	<u>4,652,725</u>

Total Liabilities and Net Position \$ 4,654,575

See notes to financial statements.

East Tennessee Regional Agribusiness Marketing Authority
Statement of Revenues and Expenses and Changes in Net Position
Year Ended June 30, 2015

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Operating Revenues

Charges for sales and service	
Commissions on farm products sold	\$ 585
Lease income	130,553
Scale usage	510
Total Operating Revenues	<u>131,648</u>

Operating Expenses

Administrative	
Contracted services	13,022
Travel	2,862
Utilities	2,327
Telephone	1,253
Insurance	11,004
Repairs and maintenance	28,659
Supplies	2,016
Professional services	4,120
Miscellaneous	311
Total administrative	<u>65,574</u>
Depreciation	<u>105,859</u>
Total Operating Expenses	<u>171,433</u>

Operating Loss (39,785)

Non-Operating Revenue

Interest income	411
Sale of equipment	7,000
Total Non-Operating Revenue	<u>7,411</u>

Non-Operating Expense

Grants	10,000
Total Non-Operating Expense	<u>10,000</u>

Non-Operating Loss (2,589)

Change in Net Position (42,374)

Net Position, July 1, 2014 - as previously stated 4,755,099

Prior Period Adjustment (60,000)

Net Position, July 1, 2014 - as restated 4,695,099

Net Assets, end of year \$ 4,652,725

See notes to financial statements.

East Tennessee Regional Agribusiness Marketing Authority
Statement of Cash Flows
Year Ended June 30, 2015

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	<u>2015</u>
Cash Flows from Operating Activities	
Cash received from sale of farm products	\$ 19,512
Cash received from lease income	130,553
Cash received from scale usage	510
Cash received for farm products	(18,927)
Cash payments to suppliers for goods and services	<u>(72,874)</u>
Net Cash Provide by Operating Activities	<u>58,774</u>
Cash Flows from Noncapital Financing Activities	
Payment of grant	(10,000)
Cash Flows from Capital and Related Financial Activities	
Acquisition of capital assets	(63,471)
Sale of equipment	7,000
Net Cash Provided by Capital and Related Financing Activities	<u>(56,471)</u>
Cash FlowS from Investing Activities	
Interest income	<u>411</u>
Net Increase in Cash and Cash Equivalents	(7,286)
Cash and Cash Equivalents, July 1, 2014	<u>300,754</u>
Cash and Cash Equivalents, June 30, 2015	<u>\$ 293,468</u>
Reconciliation of Net Loss from Operations to Net Cash Provided by Operating Activities	
Operating loss	\$ (39,785)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	105,859
Decrease in accrued liabilities	<u>(7,300)</u>
Net Cash Provided by Operating Activities	<u>\$ 58,774</u>

See notes to financial statements.

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

General Statement

The East Tennessee Regional Agribusiness Marketing Authority (the “Authority”) was created in 1998 under Title 64 of the Code of the State of Tennessee. The Authority was created as a public and governmental body acting as an agent and instrumentality of the counties with respect to which the authority is organized. The purpose of the Authority is to establish and operate a market for agricultural products of the region through a food distribution center, to provide farmers of the region with a ready market for agricultural products, and to provide the citizens of the regions and other buyers a convenient place to purchase these products. The financial statements of the Authority conform to generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Authority are described below.

Basis of Presentation

The Authority is governed by a Board of Directors consisting of the county mayor of each county, or the county mayor’s designee. The following counties comprise the authority: Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, Johnson, Sullivan, Unicoi and Washington. The Authority’s board also has (2) nonvoting members including the Commissioner of the Department of Agriculture or the commissioner’s designee, and the Dean of the University of Tennessee Agricultural Extension Service or the dean’s designee. The board has an executive committee consisting of the chairman, vice chairman, secretary, treasurer, and the center manager as an ex officio member. The executive committee is authorized to act on behalf of the board in the day to day operations of the authority.

The Authority operates as a governmental enterprise fund, used for activities which are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis to be financed or recovered primarily through user charges, or where the governing body has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Definition of Operating Activities

The Authority considers operating revenues and expenses to be those that result from providing a market for agricultural products of the region and from the least of other commercial property owned by the Authority.

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expense are recognized in the account and reported in the financial statements. Basis of accounting is related to the timing of the measurement made, regardless of the measurement focus applied.

The Authority's records are accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recorded when they are earned, and expenses are recorded at the time liabilities are incurred.

Operating revenues in the enterprise fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

At times, the Authority will fund outlays for a particular purpose from both restricted and unrestricted resources (the total committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted fund balance to have been depleted before using any of the components of restricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes bank demand deposits and all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets owned by the Authority are recorded at cost. Repairs and maintenance are recorded as expenses. Betterments are renewals are capitalized. Depreciation of fixed assets is charged as an expense against its operations. Accumulated depreciation is reported on the balance sheet.

The Authority has provided for depreciations over the estimated useful lives of assets using the straight line method. The estimated useful lives are as follows:

Buildings	40 years
Equipment	5 – 20 years

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 income and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE B – CASH AND INVESTMENTS

The Authority maintained checking and savings accounts at Tri-Summit Bank and a checking account at Citizens National Bank during the year ended June 30, 2015. State law requires deposits of the Authority's funds to be insured and collateralized. At June 30, 2015 the Authority had deposits totaling \$293,468. All funds held in the bank were adequately insured.

NOTE C – RESTRICTED NET POSITION

The Authority had no restricted net position at June 30, 2015.

NOTE D – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2015 is as follows:

	<u>July 1, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30 2015</u>
Land	\$ 463,549	\$ -	\$ -	\$ 463,549
Land improvements	2,506,093	-	-	2,506,093
Buildings	2,126,740	63,471	-	2,190,211
Equipment	720,678	-	-	720,678
Sub-total	<u>5,817,060</u>	<u>63,471</u>	<u>-</u>	<u>5,880,531</u>
Accumulated depreciation	<u>(1,416,815)</u>	<u>(105,859)</u>	<u>-</u>	<u>(1,522,674)</u>
Net capital assets	<u>\$ 4,400,245</u>	<u>\$ (42,388)</u>	<u>\$ -</u>	<u>\$ 4,357,857</u>

NOTE E – RISK FINANCING ACTIVITIES

The Authority is exposed to various risks related to general liability and property and casualty losses. The Authority carries commercial insurance to cover their risks related to general liability, property and casualty and officers and directors.

Settled claims have not exceeded their commercial coverage in any of the past three years.

NOTE F – LEASING OPERATIONS AND GEOGRAPHICAL RISK

The Authority receives a major portion of its income from leasing real estate. The lease periods are normally for a period of one year.

Also, the Authority's operations are centered in the Upper East Tennessee region and are dependent on farmers of the area providing produce for sale at the market.

NOTE G – PRIOR PERIOD ADJUSTMENT

In April of 2011, East Tennessee Regional Agribusiness Marketing Authority applied for a Rural Business Enterprise Grant. The purpose of the grant was for an implementation study plan for a regional sanitary sewer system. The project was estimated to cost \$150,000 with \$90,000 coming from the federal grant and \$60,000 from local sources. East Tennessee Regional Agribusiness Marketing Authority agreed to fund up to \$150,000 of the cost. The grant funds and funds from the local governments, which would benefit from the prospective sewer system, would be used to repay East Tennessee Regional Agribusiness Marketing Authority. During the year ended June 30, 2015, East Tennessee Regional Agribusiness Marketing Authority determined that the remaining receivable of \$60,000 was uncollectible from local sources. As a result, a prior period adjustment had been made to Net Position.

NOTE H – SUBSEQUENT EVENTS

East Tennessee Regional Agribusiness Marketing Authority has adopted a new provision in current professional accounting standards related to the accounting for and disclosure of events that occur after the balance sheet date but before the date the financial statements are issued or available to be issued. The new provision requires companies to reflect in their financial statements the effects of subsequent events that provide additional evidence about conditions at the balance sheet date. Subsequent events that provide evidence about conditions that arose after the balance-sheet date should be disclosed if the financial statements would otherwise be misleading. Disclosures should include the nature of the event and either an estimate of its financial effect or a statement that an estimate cannot be made. The provision also requires the disclosure of the date through which an entity has evaluated subsequent events and whether that date represents the date the financial statements were issued or were available to be issued. The Authority has evaluated subsequent events through February 26, 2016, the date the financial statements are issued, and determined there are none to disclose.

**East Tennessee Regional Agribusiness Marketing Authority
Other Information
Authority Directors and Officers
June 30, 2015**

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**Bill Brittain (Chair)
Alan Palmieri (Vice-Chair)
Crystal Ottinger (Secretary, Treasurer)
Jack Daniels
David Crum
Melville Bailey
Richard Venable
Greg Lynch
Mark Hipsher
Thomas Harrison
Larry Potter
Mike Williams**

**Hamblen County
Jefferson County
Cocke County
Claiborne County
Greene County
Hawkins County
Sullivan County
Unicoi County
Grainger County
Hancock County
Johnson County
Union County**

Julius Johnson

Tennessee Commissioner of Agriculture

Randall Fish

Manager

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS'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
East Tennessee Regional Agribusiness Marketing Authority
White Pine, 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 East Tennessee Regional Agribusiness Marketing Authority, as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon date February 26, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Tennessee Regional Agribusiness Marketing Authority'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 East Tennessee Regional Agribusiness Marketing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of East Tennessee Regional Agribusiness Marketing Authority's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. 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 East Tennessee Regional Agribusiness Marketing Authority'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 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 organization'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. This report is intended solely for the information and use of management, others within the organization, The Board of Directors of East Tennessee Regional Agribusiness Marketing Authority, the State of Tennessee, Division of Municipal Audit, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Craige Thompson & Jones, P.C.

CRAINE, THOMPSON & JONES, P.C.
February 26, 2016