

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

FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2007 and 2006

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

FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2007 and 2006

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

SECTION ONE

INTRODUCTORY SECTION

For the Years Ended June 30, 2007 and 2006

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

LIST OF MANAGEMENT AND PRINCIPAL OFFICERS

June 30, 2007 and 2006

President
Assistant Director

Patrick Phillips
Kathy Knight

Board Members:

2007

2006

Chairperson
Vice Chairperson
Treasurer
Members:

Doyle Arp
Mayor Bernie R. Swiney
Charlie Bettis
Eddie Simpson
Bob Franke
Kevin Burcham
Harvey Sproul
Bruce Giles

George M. Miller
Eddie Simpson
Charlie Bettis
Mayor Bernie R. Swiney
Harold Duff
Shirley Reno
Harvey Sproul
Judy McGill Keller

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

SECTION TWO

FINANCIAL SECTION

For the Years Ended June 30, 2007 and 2006

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

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Lonas D. Overholt, CPA
Robert L. Bean, CPA

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December 18, 2007

INDEPENDENT AUDITORS' REPORT

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

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, 2007 and 2006, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Agency's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provided a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Agency as of June 30, 2007 and 2006, and the respective changes in financial position thereof and the respective budgetary comparisons for the major fund for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 18, 2007, on our consideration of the Agency'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, immediately following this letter, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The introductory section, capital assets used in the operation of governmental funds schedules, and miscellaneous schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section, capital assets used in the operation of governmental funds schedules, and miscellaneous schedules, have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on them.

Ingram, Overholt & Bean, PC

December 18, 2007

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, 2007 and 2006. 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, 2007 and 2006 include the following:

- The assets of the Agency exceeded its liabilities at the close of the most recent fiscal year by \$82,124 (net assets). Of this amount, \$75,819 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The assets of the Agency exceeded its liabilities at the close of the 2006 fiscal year by \$100,433 (net assets). Of this amount, \$84,932 (unrestricted net assets) was available during the 2007 fiscal year to meet the government's ongoing obligations to citizens and creditors.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances, in a manner similar to a private-sector business. These statements include all assets and liabilities 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 assets** presents information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the current fiscal year. All changes in net assets 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 assets 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>2007</u>	<u>2006</u>
Working Capital (the amount by which current assets exceed current liabilities)	\$ 75,819	\$ 84,932
Current Ratio (compares current assets to current liabilities – as an indicator of the ability to pay current obligations)	3.54	3.86

GOVERNMENT-WIDE STATEMENTS FINANCIAL ANALYSIS

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

	<u>2007</u>	<u>2006</u>
Current assets	\$ 105,635	\$ 114,624
Capital assets, net	<u>6,305</u>	<u>15,501</u>
Total Assets	<u>111,940</u>	<u>130,125</u>
Current liabilities	<u>29,816</u>	<u>29,692</u>
Net Assets:		
Invested in capital assets, net	6,305	15,501
Unrestricted	<u>75,819</u>	<u>84,932</u>
Total Net Assets	<u>\$ 82,124</u>	<u>\$ 100,433</u>

Net assets of the Agency decreased 18.2% and 20.7% during the fiscal years ended June 30, 2007 and 2006, respectively. Unrestricted net assets, the portion of the net assets available to finance day-to-day operations, decreased by 10.7% and 15.7% each fiscal year, respectively.

	<u>2007</u>	<u>2006</u>
Program Revenues:		
Operating grants and Contributions	\$ 186,682	\$ 175,946
Capital grants & contributions	-	2,652
General Revenues:		
In-kind Revenue – Donated		
Facilities	9,000	9,000
Interest Income	4,185	3,154
Other revenues	<u>625</u>	<u>4,603</u>
Total Revenues	<u>200,492</u>	<u>195,355</u>
Expenses:		
General and administrative	209,605	205,886
Depreciation	<u>9,196</u>	<u>15,467</u>
Total Expenses	<u>218,801</u>	<u>221,353</u>
Change in net assets	(18,309)	(25,998)
Net assets at beginning of year	<u>100,433</u>	<u>126,431</u>
Net assets at end of year	<u>\$ 82,124</u>	<u>\$ 100,433</u>

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

	<u>2007</u>	<u>2006</u>
Contributions from:		
Loudon County	67%	64%
City of Loudon	15%	15%
Lenoir City	14%	13%
Lenoir City Industrial Committee of 100	2%	2%
Interest Income	2%	2%
Other Income	0%	3%
Grant Revenue	<u>0%</u>	<u>1%</u>
Total	100%	100%

Operational costs for the Agency were \$209,605 and \$205,886 for the fiscal years ended June 30, 2007 and 2006 respectively. The increase in expenses for both fiscal years was due primarily to increased personnel costs.

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 2007 and 2006 fiscal years, the unreserved fund balance of the General Fund totaled \$75,819 and \$84,932, respectively. As a measure of the General Fund's liquidity, it may be useful to compare total unreserved fund balance to total fund expenditures. Total unreserved, undesignated fund balance represents 35% of total general fund expenditures of \$218,801, and 38% of total general fund expenditures of \$221,353, for the 2007 and 2006 fiscal year, respectively.

CAPITAL ASSETS

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

	<u>2007</u>	<u>2006</u>
Equipment:		
Furniture and equipment	\$ 40,336	\$ 40,336
Automobile	<u>16,334</u>	<u>16,334</u>
Total Capital Assets	56,670	56,670
Accumulated Depreciation	<u>(50,365)</u>	<u>(41,169)</u>
Net Capital Assets	<u>\$ 6,305</u>	<u>\$ 15,501</u>

There were no major capital asset events during the 2007 fiscal year. During 2006, the Agency purchased various computer equipment and software for which a portion of the cost was reimbursed through the TVA Technology Equipment Grant Program. During the next fiscal year, the Agency plans to purchase additional equipment for which a portion will again be funded through the TVA Technology Equipment Grant Program.

Under terms of the Grant, the equipment purchased must be used for purposes of promoting economic development and be available for inspection by TVA for up to three years from the date of reimbursement.

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

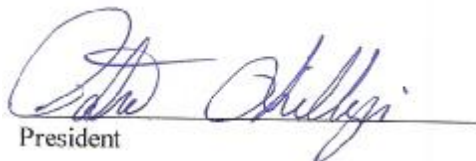
At the end of the 2007 and 2006 fiscal years, the Agency had no long-term obligations outstanding.

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 fiscal year budgets for 2007 and 2006 were each amended one time during the respective fiscal years. The Board approves all budgets and subsequent amendments. Budgetary comparison statements have been provided in the basic financial statements for the general fund to demonstrate compliance with the budget.

CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

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



President

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

June 30, 2007 and 2006

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
 Loudon County, Tennessee
STATEMENT OF NET ASSETS
 For the Years Ended June 30, 2007 and 2006

<u>ASSETS</u>	<u>Governmental Activities</u>	
	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Current Assets:		
Cash in bank.....	\$ 25,266	\$ 36,054
Certificates of Deposit	79,991	78,491
Accounts receivable.....	378	79
Total Current Assets	105,635	114,624
Depreciable Capital Assets, net of depreciation	6,305	15,501
Total Assets	\$ 111,940	\$ 130,125
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Current Liabilities:		
Accounts payable.....	\$ 14,816	\$ 14,692
Compensated absences.....	15,000	15,000
Total Current Liabilities	29,816	29,692
Net Assets:		
Invested in capital assets.....	6,305	15,501
Unrestricted.....	75,819	84,932
Total Net Assets.....	82,124	100,433
Total Liabilities and Net Assets	\$ 111,940	\$ 130,125

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, 2007 and 2006

		<u>2007 Revenues</u>		Net (Expense) Revenue and Changes
	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net Assets Governmental Activities</u>
Function/ Programs				
Governmental Activities:				
General and Administrative	\$ 209,605	\$ 186,682	\$ -	\$ (22,923)
Depreciation	<u>9,196</u>	<u> </u>	<u> </u>	<u>(9,196)</u>
Totals	<u>\$ 218,801</u>	<u>\$ 186,682</u>	<u>\$ -</u>	<u>(32,119)</u>
General Revenues:				
In-kind Revenues - Donated				
Facilities				9,000
Interest earned				4,185
Miscellaneous				<u>625</u>
Total General Revenues				<u>13,810</u>
Change in net assets				(18,309)
Net Assets – Beginning				<u>100,433</u>
Net Assets – Ending				<u>\$ 82,124</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, 2007 and 2006

		<u>2006 Revenues</u>		
	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes Net Assets Governmental Activities</u>
Function/ Programs				
Governmental Activities:				
General and Administrative	\$ 205,886	\$ 175,946	\$ 2,652	\$ (27,288)
Depreciation	<u>15,467</u>	<u> </u>	<u> </u>	<u>(15,467)</u>
Totals	<u>\$ 221,353</u>	<u>\$ 175,946</u>	<u>\$ 2,652</u>	<u>(42,755)</u>
General Revenues:				
In-kind Revenue - Donated Facilities				9,000
Interest earned				3,154
Miscellaneous				<u>4,603</u>
Total General Revenues				<u>16,757</u>
Change in net assets				(25,998)
Net Assets – Beginning				<u>126,431</u>
Net Assets – Ending				<u>\$ 100,433</u>

See accompanying independent auditors' report and notes.

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

FUND FINANCIAL STATEMENTS

June 30, 2007 and 2006

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.

Loudon County, Tennessee
**GOVERNMENTAL FUNDS
BALANCE SHEET**

For the Years Ended June 30, 2007 and 2006

<u>ASSETS</u>	2007 <u>General</u>	2006 <u>General</u>
Cash in bank.....	\$ 25,266	\$ 36,054
Certificates of Deposit	79,991	78,491
Accounts receivable.....	<u>378</u>	<u>79</u>
 Total Assets	 <u>\$ 105,635</u>	 <u>\$ 114,624</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts payable	\$ 14,816	\$ 14,692
Compensated absences	<u>15,000</u>	<u>15,000</u>
 Total Liabilities.....	 <u>29,816</u>	 <u>29,692</u>
Fund Balance:		
Undesignated, unreserved	<u>75,819</u>	<u>84,932</u>
 Total Fund Balance.....	 <u>75,819</u>	 <u>84,932</u>
 Total Liabilities and Fund Balance	 <u>\$ 105,635</u>	 <u>\$ 114,624</u>

See accompanying independent auditors' report and notes.

LOUDON COUNTY ECONOMIC AND DEVELOPMENT AGENCY, INC.
 Loudon County, Tennessee
RECONCILITATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
 For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Fund balances – total governmental funds	\$ 75,819	\$ 84,932
Amounts reported for the governmental activities in the statement of net assets are different because:		
Capital assets, used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>6,305</u>	<u>15,501</u>
Net assets of governmental activities	<u>\$ 82,124</u>	<u>\$ 100,433</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, 2007 and 2006

	2007	2006
	<u>General</u>	<u>General</u>
Revenues:		
Government contributions	\$ 186,682	\$ 175,946
Other revenues	625	4,603
Grant – TVA Technology Grant.....	-	2,652
In-kind Revenues – Donated Facilities.....	9,000	9,000
Interest	<u>4,185</u>	<u>3,154</u>
Total Revenues	<u>200,492</u>	<u>195,355</u>
Expenditures:		
General and administrative.....	209,605	205,886
Capital Outlay	<u>-</u>	<u>5,304</u>
Total Expenditures	<u>209,605</u>	<u>211,190</u>
Excess (Deficiency) of Revenues		
Over Expenditures	<u>(9,113)</u>	<u>(15,835)</u>
Fund Balance – July 1 st	<u>84,932</u>	<u>100,767</u>
Fund Balance – June 30 th	<u>\$ 75,819</u>	<u>\$ 84,932</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 BALACE
 TO THE STATEMENT OF ACTIVITIES**
 For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Net change in fund balances – total governmental fund	\$ (9,113)	\$ (15,835)
<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.</p>		
	<u>(9,196)</u>	<u>(10,163)</u>
Changes in net assets of governmental activities	<u>\$ (18,309)</u>	<u>\$ (25,998)</u>

See accompanying independent auditors' report and notes.

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

GENERAL FUND

June 30, 2007 and 2006

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, 2007 and 2006

	June 30, 2007			
<u>Acct Description</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Recurring				
Loudon County	\$ 128,629	\$ 128,629	\$ 128,629	\$ -
City of Loudon	30,762	28,644	28,644	-
City of Lenoir City	25,865	25,865	25,865	-
Lenoir City Industrial Committee of 100	3,544	3,544	3,544	-
In-kind Revenue – Donated Facilities	-	-	9,000	9,000
Interest Income	1,500	1,500	4,185	2,685
Non-Recurring				
Other Income	-	-	625	625
Grant revenue	-	-	-	-
Total Revenues	<u>190,300</u>	<u>188,182</u>	<u>200,492</u>	<u>12,310</u>
General government				
Auto and travel	3,500	3,500	2,573	927
Communication	4,800	4,800	4,717	83
Conferences and Training	3,000	3,000	1,834	1,166
Dues and Subscriptions	850	850	1,013	(163)
Insurance	7,500	7,500	4,998	2,502
Legal Fees	1,000	1,000	563	437
Meetings	4,000	4,000	1,361	2,639
Miscellaneous	1,000	1,000	128	872
Office Equipment	2,500	2,500	2,766	(266)
Office Supplies	3,000	3,000	3,093	(93)
Payroll - Salaries	139,450	136,614	139,091	(2,477)
Payroll - Taxes & Benefits	28,299	28,082	26,744	1,338
Postage	1,000	1,000	692	308
Prospects and marketing	10,000	10,000	6,768	3,232
Rent	-	-	9,000	(9,000)
Utilities and maintenance	3,500	3,500	2,020	1,480
Website development	<u>4,650</u>	<u>4,650</u>	<u>2,244</u>	<u>2,406</u>
Total Expenditures	<u>218,049</u>	<u>214,996</u>	<u>209,605</u>	<u>5,391</u>
Excess (Deficiency) of Revenues Over Expenditures before Capital Outlay	(27,749)	(26,814)	(9,113)	17,701
Less: Capital Outlay	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Excess (Deficiency) of Revenues Over Expenditures after Capital Outlay	(27,749)	(26,814)	(9,113)	17,701
Fund Balance - Beginning of Fiscal Year	<u>84,932</u>	<u>84,932</u>	<u>84,932</u>	<u> </u>
Fund Balance - End of Fiscal Year	<u>\$ 57,183</u>	<u>\$ 58,118</u>	<u>\$ 75,819</u>	<u>\$ 17,701</u>

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, 2007 and 2006

	<u>June 30, 2006</u>			
<u>Acct Description</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Recurring				
Loudon County	\$ 119,772	\$ 119,772	\$ 119,772	\$ -
City of Loudon	28,644	28,644	28,644	-
City of Lenoir City	24,084	24,084	24,084	-
Lenoir City Industrial Committee of 100	3,300	3,300	3,446	146
In-kind Revenue – Donated facilities	-	-	9,000	9,000
Interest Income	1,500	1,500	3,154	1,654
Non-Recurring				
Other Income	8,890	4,235	4,603	368
Grant revenue	<u>-</u>	<u>-</u>	<u>2,652</u>	<u>2,652</u>
Total Revenues	<u>186,190</u>	<u>181,535</u>	<u>195,355</u>	<u>13,820</u>
General government				
Auto and travel	3,000	3,000	1,979	1,021
Communication	4,650	4,650	4,487	163
Conferences and Training	3,500	3,500	1,415	2,085
Dues and Subscriptions	675	675	943	(268)
Insurance	6,600	6,600	6,900	(300)
Legal Fees	1,000	1,000	327	673
Meetings	3,500	3,500	2,199	1,301
Miscellaneous	1,000	1,000	75	925
Office Equipment	2,500	2,500	2,463	37
Office Supplies	2,500	2,500	2,528	(28)
Payroll - Salaries	134,735	134,735	134,746	(11)
Payroll - Taxes & Benefits	26,225	26,225	24,775	1,450
Postage	1,000	1,000	906	94
Prospects and marketing	10,000	10,000	7,407	2,593
Rent	-	-	9,000	(9,000)
Utilities and maintenance	3,500	3,500	2,598	902
Website development	<u>4,650</u>	<u>4,650</u>	<u>3,138</u>	<u>1,512</u>
Total Expenditures	<u>209,035</u>	<u>209,035</u>	<u>205,886</u>	<u>3,149</u>
Excess (Deficiency) of Revenues Over Expenditures before Capital Outlay	(22,845)	(27,500)	(10,531)	16,969
Less: Capital Outlay	<u>-</u>	<u>-</u>	<u>5,304</u>	<u>(5,304)</u>
Excess (Deficiency) of Revenues Over Expenditures after Capital Outlay	(22,845)	(27,500)	(15,835)	11,665
Fund Balance - Beginning of Fiscal Year	<u>100,767</u>	<u>100,767</u>	<u>100,767</u>	<u>-</u>
Fund Balance - End of Fiscal Year	<u>\$ 77,922</u>	<u>\$ 73,267</u>	<u>\$ 84,932</u>	<u>\$ 11,665</u>

See accompanying independent auditors' report and notes.

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.

Loudon County, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

NOTE 1 – GENERAL INFORMATION:

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. REPORTING ENTITY

The Agency is a joint venture between the three participating governments and acts as the Joint Economic and Community Development Board for those governments as permitted under Public Chapter 1101 and codified in Tennessee Code Annotated, Section 6-58-114.; however, a formal inter-local agreement has not yet been finalized. The Agency operates under its own by-laws.

B. BASIS OF PRESENTATION

Government – wide Financial Statements:

The Statement of Net Assets 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, 2007 and 2006

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 Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined in item b. below.

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

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

(Continued)

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.

Loudon County, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Basis of Accounting

In the government-wide Statement of Net Assets 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 Assets. 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, 2007 and 2006

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 assets and displayed in three components:

- a. Invested in capital assets, net – consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Restricted net assets – consists of net assets 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 assets at June 30, 2007 and 2006.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

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.

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.

(Continued)

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.

Loudon County, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

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

F. BUDGETARY ACCOUNTING

Budgets of the Agency are prepared using the modified accrual basis. 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 the major fund.

G. CONCENTRATION OF SUPPORT

The Agency is highly dependent on the funding by the three participating governmental entities which provided 96% and 92% of the Agency's support for the 2007 and 2006 fiscal years, respectively.

H. DONATED FACILITIES

The Agency occupies office space owned by the City of Loudon free of charge and is shared with the Loudon County Office of Planning. 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, 2007 and 2006.

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.

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.

(Continued)

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.

Loudon County, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

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

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, 2007 and 2006.

NOTE 4 – CASH AND CERTIFICATES OF DEPOSITS:

Total cash and certificate of deposits at June 30, 2007 and 2006 are summarized as follows:

<u>Type</u>	<u>2007</u>	<u>2006</u>
Local financial institutions:		
Checking account	\$ 25,266	\$ 36,054
Certificate of Deposit -		
(4.95% maturing 12/26/07)	50,000	50,000
(4.65% maturing 11/05/07)	<u>29,991</u>	<u>28,627</u>
	<u>79,991</u>	<u>78,627</u>
 Total Cash and Certificate of Deposits	 <u>\$ 105,257</u>	 <u>\$ 114,681</u>

As of June 30, 2007 and 2006, total cash and certificates of deposit were held in one financial institution. Deposits are insured up to \$100,000 by either the Federal Deposit Insurance Corporation or by the Tennessee Bank Collateral Pool.

NOTE 5 – RELATED PARTY AND AGENCY TRANSACTIONS:

Loudon County serves as the payroll agent for the Agency. Employees are paid by Loudon County and the Agency reimburses the County for all payroll expenses including related taxes and benefits. The financial statements reflect the total costs paid to the County during the fiscal years ended 2007 and 2006. As of June 30, 2007 and 2006, there were no outstanding amounts due to the Loudon County for payroll expenses.

The Agency bills individuals and collects lease payments for certain agricultural land leases on behalf of Loudon County and the City of Loudon. All lease payments are remitted to the appropriate governmental entity upon receipts. These amounts are not reflected in the financial statements. Amounts received and remitted for the years ended June 30, 2007 and 2006 totaled \$3,475 and \$2,906, respectively.

(Continued)

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.

Loudon County, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

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 calendar 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. Vacation hours stop accruing after the maximum accumulation of hours has been reached. Employees may “carry over” into the next calendar year any unused, accrued vacation hours up to the maximum allowed and may be paid for unused, accrued vacation hours upon termination of employment.
- **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, 2007 and 2006 accrued compensated absences (recorded in accordance with Government Accounting Standards Board Statement No. 16) of \$15,000, to be funded from current resources, are reflected in the General Fund, and represent a current liability for vacation pay which has been earned but not taken by Agency employees.

NOTE 7 – EMPLOYEES' RETIREMENT PLAN:

As noted above, the County acts as the payroll agent for the Agency. Two employees of the Agency contributed to the Tennessee Consolidated Retirement System (TCRS) as employees of the County. The County also submitted matching contributions on behalf of the Agency at the county rate for those employees. The Agency reimburses the County for those contributions. During the 2007 fiscal year, it was discovered that the employees could not participate in TCRS under the County and that the Agency was not a participating employer in TCRS.

The Agency is working to rectify this situation. Documentation has been submitted to request the Agency's admission as a participating employer in TCRS and to allow credit for prior years' service and contributions for the Agency's employees. The Agency is awaiting the results of an actuarial survey to determine the Agency's contribution rates based on years of service and salaries.

Currently, Agency employee contributions and related employer match contributions are being held by the County and recorded as a liability on the County records. Upon completion of the survey, the contributions calculated by the actuarial survey will be compared to the contributions held by the County and any shortfall determined. It is expected that the three participating governments will contribute the funds to cover any shortfall in contributions. The County will be obligated to ensure all past contributions are allocated to the Agency's TCRS account once established.

(Continued)

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.

Loudon County, Tennessee
NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

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– CONTINGENCY

The Agency shares office space as well as certain capital assets with the Loudon County Office of Planning. The Office of Planning reimburses the Agency for certain expenses paid for by the Agency on behalf of both entities and vice versa. In addition, the Office of Planning has paid for 50% of certain capital assets purchased by the Agency and recorded in the government wide financial statements at 100% cost. Should the Agency and Office of Planning cease to co-exist in the same business office, it is expected that the Agency would have to pay the Office of Planning for the pro-rata share of the estimated fair value of the equipment.

For the fiscal years ended June 30, 2007 and 2006, the historical cost and net book value of those capital assets are listed below:

	<u>2007</u>	<u>2006</u>
Shared capital assets at 100% historical cost	\$ 4,984	\$ 4,984
Net book value of shared capital assets	\$ 93	\$ 1,115

NOTE 10 – GRANT

The State of Tennessee, Department of Economic and Community Development awarded the Agency a grant funded through the FastTrack Infrastructure Development Program (FIDP) in the amount of \$255,440 for costs associated with the construction of a sewer line extension and pump station along Highway 411 in connection with BPS Engineering, LLC. BPS has agreed to invest in certain real and personal property. The total project cost is estimated at \$336,105 and the Agency has entered into a participation agreement with the Tellico Reservoir Development Agency (TRDA) obligating TRDA to pay for any cost overruns and cost share.

The grant term commenced on May 1, 2007 and expires on June 30, 2011. Preliminary work by TRDA with a cost of approximately \$20,000 began prior to the fiscal year ended June 30, 2007. TRDA billed the preliminary work in October 2007.

(Continued)

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

SUPPLEMENTAL SCHEDULES

June 30, 2007

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.
 Loudon County, Tennessee
CAPTIAL ASSETS USED IN GOVERNMENTAL ACTIVITIES
SCHEDULE OF GENERAL CAPITAL ASSETS
 June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Depreciable Capital Assets:		
Equipment	\$ <u>6,305</u>	\$ <u>15,501</u>
Investment in Capital Assets.....	\$ <u>6,305</u>	\$ <u>15,501</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, 2007 and 2006

	2007 Capital Assets			
	<u>Balance</u> <u>7/1/06</u>	<u>Current</u> <u>Additions</u>	<u>Current</u> <u>Retirements</u>	<u>Balance</u> <u>6/30/07</u>
Furniture and Equipment	\$ 40,336	\$ -	\$ -	\$ 40,336
Automobile	<u>16,334</u>	<u>-</u>	<u>-</u>	<u>16,334</u>
Totals	<u>\$ 56,670</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,670</u>

	2006 Capital Assets			
	<u>Balance</u> <u>7/1/05</u>	<u>Current</u> <u>Additions</u>	<u>Current</u> <u>Retirements</u>	<u>Balance</u> <u>6/30/05</u>
Furniture and Equipment	\$ 35,032	\$ 5,304	\$ -	\$ 40,336
Automobile	<u>16,334</u>	<u>-</u>	<u>-</u>	<u>16,334</u>
Totals	<u>\$ 51,366</u>	<u>\$ 5,304</u>	<u>\$ -</u>	<u>\$ 56,670</u>

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

	<u>2007</u>	<u>2006</u>
General Fund	<u>\$ -</u>	<u>\$ 5,304</u>

See accompanying independent auditors' report and notes.

2007 Accumulated Depreciation

Balance <u>7/1/06</u>	Current <u>Additions</u>	Current Retirement <u>Reclassifications</u>	Balance <u>6/30/07</u>	Net Book <u>Value</u>
\$ 7,260	\$ 5,444	\$ -	\$ 12,704	\$ 2,675
<u>33,909</u>	<u>3,752</u>	<u>-</u>	<u>37,661</u>	<u>3,630</u>
<u>\$ 41,169</u>	<u>\$ 9,196</u>	<u>\$ -</u>	<u>\$ 50,365</u>	<u>\$ 6,305</u>

2006 Accumulated Depreciation

Balance <u>7/1/05</u>	Current <u>Additions</u>	Current Retirement <u>Reclassifications</u>	Balance <u>6/30/06</u>	Net Book <u>Value</u>
\$ 23,886	\$ 10,023	\$ -	\$ 33,909	\$ 6,427
<u>1,816</u>	<u>5,444</u>	<u>-</u>	<u>7,260</u>	<u>9,074</u>
<u>\$ 25,702</u>	<u>\$ 15,467</u>	<u>\$ -</u>	<u>\$ 41,169</u>	<u>\$ 15,501</u>

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.

Loudon County, Tennessee

SCHEDULE OF INSURANCE IN FORCE

June 30, 2007

<u>Insurance Company/Agency</u>	<u>Policy Number</u>	<u>Period</u>	<u>Description</u>
Westfield Insurance Company	CWP 3-333-832	7-1-06 to 7-1-07	<p><u>Commercial Property</u> \$40,000 Building coverage at 80% co-insurance – 274 Blair Bend Road</p> <p>\$25,000 Contents coverage at 80% co-insurance – 274 Blair Bend Road</p> <p><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</p> <p><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</p> <p><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</p>
St. Paul Travelers Bond/Travelers Casualty and Surety Company of America	104769276	7-1-06 to 7-1-07	<p>\$1,000,000 Directors and Officers Liability; \$5,000 Retention \$1,000,000 Employment Practices Liability; \$5,000 Retention</p>

See accompanying independent auditors' report and notes.

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.

Loudon County, Tennessee

SCHEDULE OF INSURANCE IN FORCE

June 30, 2006

<u>Insurance Company/Agency</u>	<u>Policy Number</u>	<u>Period</u>	<u>Description</u>
TSB-Risk Management Trust/ Travelers Indemnity Co. of IL Personal	TSB-RMT	7-1-05 to 7-1-06	<p><u>Commercial Property</u> \$200,000 Blanket Building and Property - 274 Blair Bend Road \$1,000 Deductible</p> <p><u>General Liability</u> \$1,000,000 General Liability Limit \$1,000 Deductible</p> <p><u>Automobile Liability</u> Actual Cash Value Comprehensive & Collision, \$1,000 deductible \$1,000,000 Liability \$250,000 Uninsured Motorist \$5,000 Auto Medical Payments</p> <p><u>Errors & Omissions</u> \$1,000,000 Liability \$5,000 Deductible Retro Date 7/1/87</p>
Travelers Indemnity Co. of IL	TSB-RMT	7-1-06 to 7-1-07	<p><u>Inland Marine</u> \$500,000 per Occurrence</p> <p><u>Excess Property</u> \$150 Million Pool Limit \$10 Million Flood</p>

Note: The Agency was included as an additional named insured under coverage through the Loudon County Government's participation in the Tennessee School Boards Liability Trust.

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, 2007



Joe S. Ingram, CPA
Lonas D. Overholt, CPA
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December 18, 2007

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 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, 2007 and 2006, which collectively comprises the Agency's basic financial statements and have issued our report thereon dated December 18, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such as that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, 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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 07-1 and 07-2.

This report is intended solely for the information and use of the governing body, Agency's management, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Ingram, Overholt & Bean, PC

LOUDON COUNTY ECONOMIC DEVELOPMENT AGENCY, INC.

Loudon County, Tennessee
SCHEDULE OF FINDINGS
June 30, 2007 and 2006

07-1 **Finding:**

The Agency is operating as a joint economic and community development board without a formal Interlocal Agreement as required by Tennessee Code Annotated, Section 5-1-113

Recommendation:

We recommend the Agency enter into a formal Interlocal Agreement with the participating governments as soon as possible in order to comply with general statutes.

Management's Comment:

An Interlocal Agreement has been drafted and is currently being reviewed by the participating governments for approval.

07-2 **Finding:**

The Agency is not a valid participating employer in the Tennessee Consolidated Retirement System (TCRS) and contributions made on behalf of employees since the Agency's inception are not valid contributions.

Recommendation:

We recommend the Agency submit the necessary documents to TCRS to request participation by the Agency in TCRS and to request credit for prior year's service and contributions since the Agency's inception.

Management's Comment:

The Agency has submitted the necessary documentation to TCRS and is awaiting the results of the actuarial study by TCRS to determine any outstanding liabilities owed to TCRS, if any.