



**Johnson City
Jonesborough
Washington County**

Economic Development Board, Inc.

AUDITED FINANCIAL STATEMENTS

2012

JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended June 30, 2012

JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.
TABLE OF CONTENTS
June 30, 2012

	<u>Page Number</u>
I. INTRODUCTORY SECTION	
Roster of Board Members	i
II. FINANCIAL SECTION	
Independent Auditors' Report	1
Basic Financial Statements	
Statement of Net Assets	3
Statement of Activities	4
Balance Sheet - Governmental Fund	5
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	6
Notes to Financial Statements	7
III. INTERNAL CONTROL AND COMPLIANCE SECTION	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13
Schedule of Findings and Responses	15

SECTION I

INTRODUCTORY SECTION

JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.
ROSTER OF BOARD MEMBERS
For the Fiscal Year Ended June 30, 2012

Representing Johnson City:

Jeff Banyas – Executive Committee

Representing Washington County:

Dan Eldridge – Executive Committee

Representing Johnson City Power Board:

Phillip Carriger – Executive Committee

Representing CenturyLink:

Lottie Ryans – Chairman

Representing the Johnson City Chamber of Commerce:

Tom Seaton

Representing Jonesborough:

Chuck Vest

Representing Atmos Energy:

Jim Pugh

Members-At-Large:

Wayne Anderson

Warren Broyles

Mark Ferguson

Rab Summers

Walter E. Tittle, Sr.

Guy Wilson

SECTION II
FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Johnson City/Jonesborough/Washington County
Economic Development Board, Inc.
Johnson City, Tennessee 37601

We have audited the accompanying financial statements of the governmental activities and the major fund of the Johnson City/Jonesborough/Washington County Economic Development Board, Inc. (the Economic Development Board), a nonprofit organization, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Economic Development Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Economic Development Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Accounting 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 audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Economic Development Board as of June 30, 2012, and the respective changes in financial position for the fiscal year 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, 2012, on our consideration of the Economic Development Board'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* and should be considered in assessing the results of our audit.

Johnson City/Jonesborough/Washington County
Economic Development Board, Inc.
Independent Auditors' Report
Page 2

The Economic Development Board has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Economic Development Board's financial statements as a whole. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Blackburn, Childers and Steagall, PLLC
BLACKBURN, CHILDERS & STEAGALL, PLC

December 18, 2012

JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.
STATEMENT OF NET ASSETS
June 30, 2012

	<u>Governmental Activities</u>
ASSETS	
Cash	<u>\$ 284,290</u>
TOTAL ASSETS	<u>284,290</u>
NET ASSETS	
Unrestricted	<u>284,290</u>
TOTAL NET ASSETS	<u><u>\$ 284,290</u></u>

The notes to the financial statements are an integral part of this statement.

JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
 ECONOMIC DEVELOPMENT BOARD, INC.
 STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
GOVERNMENTAL ACTIVITIES					
General Administrative	\$ 17,038	-	-	-	(17,038)
Corporate Services	146	-	-	-	(146)
Marketing	3,240	-	-	-	(3,240)
Industrial Development	500,000	-	-	-	(500,000)
TOTAL GOVERNMENTAL ACTIVITIES	<u>520,424</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(520,424)</u>
GENERAL REVENUES					
Unrestricted Interest					<u>564</u>
Total General Revenues					<u>564</u>
Change in Net Assets					(519,860)
Net Assets - Beginning					<u>804,150</u>
Net Assets - Ending					<u>\$ 284,290</u>

The notes to the financial statements are an integral part of this statement.

JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.
GOVERNMENTAL FUND
BALANCE SHEET
June 30, 2012

	<u>General Fund</u>
ASSETS	
Cash	\$ 284,290
TOTAL ASSETS	<u>\$ 284,290</u>
FUND BALANCE	
Assigned for	
Industrial Development	\$ 134,290
Unassigned	<u>150,000</u>
TOTAL FUND BALANCE	<u>\$ 284,290</u>

The notes to the financial statements are an integral part of this statement.

JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
 ECONOMIC DEVELOPMENT BOARD, INC.
 GOVERNMENTAL FUND
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 For the Fiscal Year Ended June 30, 2012

	General Fund
REVENUES	
Unrestricted Interest	\$ 564
TOTAL REVENUES	564
EXPENDITURES	
General Administrative	17,038
Corporate Services	146
Marketing	3,240
Industrial Development	500,000
TOTAL EXPENDITURES	520,424
Deficiency of Revenues	
Under Expenditures	(519,860)
Fund Balance, July 1, 2011	804,150
Fund Balance, June 30, 2012	\$ 284,290

The notes to the financial statements are an integral part of this statement.

JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Johnson City/Jonesborough/Washington County Economic Development Board, Inc. (EDB) is a joint venture between the City of Johnson City, Town of Jonesborough, and Washington County, Tennessee established on November 26, 1984. EDB is a non-profit organization under IRC Section 501(c)(6). However, due to the fact that EDB's Board of Directors is appointed by these local governments, the EDB uses governmental fund accounting and does not follow the Financial Accounting Standards Board (FASB) *Accounting Standard Codification* (ASC).

Effective June 30, 2011, the operations of the EDB were moved under the Washington County Economic Development Council (WCEDC) and all employees were offered a severance package. One employee elected to become an employee of the WCEDC effective July 1, 2011, but all others accepted the severance package.

EDB's primary goal has been to promote economic development in the Washington County, Tennessee area by working with and encouraging businesses to locate in the area. For the fiscal year ended June 30, 2012, the WCEDC began taking over this role.

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all the nonfiduciary activities of the EDB. *Governmental activities*, which normally are supported by intergovernmental revenues and taxes, are reported separately. The EDB has no *business-type* activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers, who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items which do not meet this definition are reported as *general revenues*.

Separate fund level financial statements are provided for the governmental fund. EDB has one governmental fund, which is the general fund.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the EDB considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Interest and reimbursements associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the EDB.

The government reports the following major governmental fund:

The *general fund* is the EDB's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

Amounts reported as *program revenues* include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

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

During the fiscal year ended June 30, 2012, all revenues previously received by the EDB were received by the WCEDC and the only revenues for EDB were interest earnings.

C. Cash and Deposits

Cash includes deposits with financial institutions in checking and savings accounts and petty cash. Cash is reported at carrying value, which reasonably estimates fair value.

D. Capital Assets

Capital assets were all transferred to the WCEDC effective July 1, 2011.

JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Fund Equity

The following classifications of fund balance describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.

- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

- Committed fund balance – amounts constrained to specific purposes by the EDB itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the EDB takes the same highest level action to remove or change the constraint.

- Assigned fund balance – amounts the EDB intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority.

- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

F. Budgets

Budgets are to be adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets have been adopted for the EDB in prior years. In the current year, no formal budget was adopted.

G. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
 ECONOMIC DEVELOPMENT BOARD, INC.
 NOTES TO FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2012

NOTE 2 - DEPOSITS AND INVESTMENTS

The EDB has various deposits at banks at June 30, 2012. All deposits are insured by Federal Deposit Insurance Corporation (FDIC) insurance up to \$250,000. Amounts in excess of \$250,000 are secured by the banks through the State Collateral Pool. Various restrictions on deposits and investments, including repurchase agreements, are imposed by state statutes. These restrictions are summarized as follows:

DEPOSITS – All deposits with financial institutions must be collateralized in an amount equal to 105% of the market value of uninsured deposits.

INVESTMENTS – State statutes authorize EDB to invest in treasury bonds, notes or bills of the United States; nonconvertible debt securities of the Federal Home Loan Bank, The Federal National Mortgage Association, The Federal Farm Credit Bank and the State Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States or any of its agencies; Certificates of Deposit and other evidences of deposit at State and Federal chartered banks and Savings and Loan Associations; obligations of the United States or its agencies under a repurchase agreement and money market funds whose portfolios consist of any of the foregoing investments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; The State of Tennessee Local Government Investment Pool; obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority.

The EDB does not have a policy for interest rate risk or for credit risk other than pledging securities for amounts in excess of the FDIC coverage.

Deposits

The EDB had the following balances in the banks at June 30, 2012:

	Per Books	Per Bank
Bank (1)	\$ 172,828	186,973
Bank (2)	111,462	111,462
	\$ 284,290	298,435

JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
 ECONOMIC DEVELOPMENT BOARD, INC.
 NOTES TO FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2012

NOTE 3 - CAPITAL ASSETS

All of the capital assets of the EDB were transferred to the WCEDC July 1, 2011.

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Being Depreciated:				
Office Equipment and Furniture	\$ 26,404	-	(26,404)	-
Total Capital Assets, Being Depreciated	<u>26,404</u>	<u>0</u>	<u>(26,404)</u>	<u>0</u>
Less: Accumulated Depreciation for				
Office Equipment and Furniture	(26,404)	-	26,404	-
Total Accumulated Depreciation	<u>(26,404)</u>	<u>0</u>	<u>26,404</u>	<u>0</u>
Total Capital Assets, Being Depreciated, Net	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Governmental Activities, Capital Assets, Net	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>

NOTE 4 - LEASES

Operating Leases

The EDB leased office space on a year-to-year basis from the Chamber of Commerce. Total rent paid for the fiscal year was \$3,000.

NOTE 5 - ASSIGNED FUND BALANCE

The Board had approved \$500,000 which was assigned for the purchase of land. During the fiscal year ended June 30, 2012, these funds were contributed to Washington County for the purchase of land in the Washington County Industrial Park. The Board has also approved \$134,290 to be assigned for industrial development within the General Fund.

JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

NOTE 6 - RISK MANAGEMENT ACTIVITIES

The EDB carried insurance coverage for general liability and contents.

NOTE 7 - UNCERTAIN TAX POSITIONS

Even though the EDB does not follow FASB guidance for their accounting, they do follow the FASB guidance on accounting for uncertainty in income taxes recognized in an organization's financial statements. As of June 30, 2012, the Economic Development Board had no uncertain tax positions that qualify for either recognition or disclosure in the Economic Development Board's financial statements. The Economic Development Board's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense in the financial statements. No interest or penalties were recorded during the fiscal year ended June 30, 2012. Generally, the tax years before 2009 are no longer subject to examination by federal taxing authorities.

NOTE 8 - OTHER MATTERS

During the current fiscal year, the funds which were approved from Johnson City, Jonesborough and Washington County for economic development were paid into the newly formed Washington County Economic Development Council and no operating funds were received by the EDB in the fiscal year ended June 30, 2012.

SECTION III

INTERNAL CONTROL AND COMPLIANCE SECTION

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

To the Board of Directors
Johnson City/Jonesborough/Washington County
Economic Development Board, Inc.
Johnson City, Tennessee 37601

We have audited the financial statements of the governmental activities and the major fund of the Johnson City/Jonesborough/Washington County Economic Development Board, Inc. (Economic Development Board), a nonprofit organization, as of and for the fiscal year ended June 30, 2012, which collectively comprise the Johnson City/Jonesborough/Washington County Economic Development Board, Inc.'s basic financial statements and have issued our report thereon dated December 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Economic Development Board is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Economic Development Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Economic Development Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Economic Development Board's internal control over financial reporting.

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.

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 over financial reporting that might be deficiencies, 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. These are findings number 2012-01 through 2012-04.

Internal Control Over Financial Reporting (Continued)

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.

Compliance and Other Matters

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

The Economic Development Board's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Economic Development Board's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

Blackburn, Childers and Steagall, PLLC
BLACKBURN, CHILDERS & STEAGALL, PLC

December 18, 2012

JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2012

FINDINGS – FINANCIAL STATEMENT AUDIT

Current Year Significant Deficiencies

2012-01 Segregation of Duties

Condition

With the elimination of the employees of the Economic Development Board (EDB) as of July 1, 2011, many of the activities of the EDB are now performed by the Washington County Economic Development Council (the Council). There is not a clear segregation of duties for employees and many activities do not appear to have anyone review the work.

Criteria

Effective internal controls require an appropriate level of segregation of duties over the accounting processes.

Effect

Without effective segregation of duties, errors or fraud could occur and not be detected in a timely manner.

Recommendation

We recommend that accounting activities be segregated to the extent possible. With a small staff, it may be necessary for the Board to help provide some additional accounting review or the director of the Council may need to review and sign indicating approval on journal entries, bank reconciliations, invoices for payment and/or other accounting functions.

Managements' Comment

Since July 1, 2011 the only accounting functions performed for the Economic Development Board (EDB) from July 2011 through June 2012 have been monthly reconciliation of bank statements, monthly financial reports, invoices approved by the EDB Executive Committee and disbursement of checks. Through July 2012 all monthly reconciliations, financials reports and submission of checks for proper signatures were handled through Bolton and Coker CPAs. During this time, all EDB related expenses paid by the Washington County Economic Development Council (WCEDC) were reviewed by the Director of Operations of the WCEDC and the CEO of the WCEDC. These items were keyed into QuickBooks under an account allocated for EDB projects and liabilities, approved for submission to the EDB Executive Committee by the CEO of the WCEDC and then reviewed and approved for payment by the EDB Executive Committee. An officer for the EDB must sign all checks approved for payment. Staff does not sign any checks.

JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2012

2012-02 Preparation of Financial Statements

Condition

The audited financial statements were prepared by the auditors.

Criteria

Accounting standards require that the financial statements, which are management's responsibility, be prepared by the Economic Development Board. The financial statements were prepared by the auditors in the process of performing the audit. A trial balance was provided that had been prepared by the client, but note disclosures were prepared by the auditors with the assistance of the client. While many entities do rely on the auditors for the clerical preparation of the audit report, it is important for the entity to not only understand the financial statements, but also the accompanying note disclosures in the audited financial statements.

Effect

In depending on the auditors to prepare the financial statements, the entity has not fully complied with the standards.

Recommendation

Management and the Board should be able to read, understand and accept the audited financials.

Managements' Comment

Through June 2012 all monthly bank reconciliations and monthly financial reports have been completed by Bolton and Coker CPAs and submitted to the EDB Executive Committee for review and approval or changes at their monthly meeting. Since July 2011 (with the EDB falling under the umbrella of the WCEDC) there have been no changes noted and all financial reports have been approved as submitted to the full EDB Board. The Board and staff are fully capable of reading, understanding and accepting the prepared financials.

2012-03 Support for Disbursements

Condition

Adequate support was not provided for the disbursements from the Economic Development Board. While the expenditures appear reasonable, it is important that adequate support be maintained and properly approved for all expenditures.

Criteria

All disbursements should have proper support which should be maintained for review and available for audit.

JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2012

2012-03 Support for Disbursements (Continued)

Effect

Without proper support, it may be difficult to ensure that all expenditures are appropriate for the entity.

Recommendation

Support should be maintained for all disbursements and the support should be properly approved for purchase and for payment.

Managements' Comment

All EDB related expenses paid by the WCEDC are reviewed by the Director of Operations of the WCEDC and the CEO of the WCEDC, keyed into QuickBooks under an account allocated for EDB projects and liabilities, approved for submission to the EDB Executive Committee by the CEO for the WCEDC and then approved for payment by the EDB Executive Committee. An officer for the EDB must sign all checks approved for payment. All accompanying invoices are filed for documentation or further review if necessary. Staff does not sign any checks.

2012-04 Revenues

Condition

The revenues, which formerly were received by the Economic Development Board, are no longer written to the Economic Development Board. These funds are now being received by the newly formed Washington County Economic Development Council (The Council).

Criteria

Economic development boards are recognized by the State for each County.

Effect

It is not evident that the Council was the recognized entity for the fiscal year ended June 30, 2012.

Recommendation

Final approval for the Council to operate as the area economic development board should be obtained or consideration given to having the funds come to the Economic Development Board with operating agreements with the Council until such time as that approval is obtained.

JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2012

2012-04 Revenues (Continued)

Managements' Comment

The leadership of both the EDB and the WCEDC are considering the process for the WCEDC to be formally recognized as the Chapter 1101 organization for Washington County. In fact, the WCEDC more closely meets the requirements for the designation than the old EDB did. The WCEDC is recognized state wide as the de facto lead economic development organization for Washington County replacing the old EDB. Formal designation should occur in the near future.

Auditors' Additional Comment

Many of Managements' Comments are responses that may be appropriate for the WCEDC, but through June 30, 2012, the WCEDC was not recognized by the State as the lead economic development organization for Washington County. While approvals did occur when the board met, for many of the meetings during the 2011-2012 fiscal year there was not a sufficient number of EDB board members to conduct a meeting. Since we were unable to obtain support for the invoices that we selected for testing, we were not able to verify the level of approval that was stated.

Prior Year Significant Deficiencies – Not Implemented

None

Prior Year Significant Deficiencies – Implemented

None