



**Johnson City
Jonesborough
Washington County
Economic Development Board, Inc.**

AUDITED FINANCIAL STATEMENTS

2013

JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY

ECONOMIC DEVELOPMENT BOARD, INC.

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2013

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

**JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.
ROSTER OF BOARD MEMBERS
For the Fiscal Year Ended June 30, 2013**

Representing Johnson City:

Jeff Banyas
Jane Myron
Ralph Van Brocklin
Clayton Stout

Representing Washington County:

Dan Eldridge
Mark Larkey
Joe Corso
Pat Wolfe

Representing Johnson City Power Board:

Phillip Carriger
Bill Coleman
Wendell Messimer

Representing CenturyLink:

Lottie Ryans

Representing the Johnson City Chamber of Commerce:

Tom Seaton
Chuck Mason
Robert Hite
John Marshall

Representing Jonesborough:

Chuck Vest

Representing Atmos Energy:

Jim Pugh

Representing Greenbelt:

Dan Cross

Members-At-Large:

Wayne Anderson
Warren Broyles
Mark Ferguson
Rab Summers
Walter E. Tittle, Sr.
Guy Wilson

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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 EDB), a nonprofit organization, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the EDB's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' judgment, including the assessment of the risk 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the EDB as of June 30, 2013, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and the budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the EDB's basic financial statements. 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2013, on our consideration of the EDB'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 EDB's internal control over financial reporting and compliance.

Blackburn, Childers and Steagall, PLLC
BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

November 11, 2013

**JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.
STATEMENT OF NET POSITION
June 30, 2013**

	<u>Governmental Activities</u>
ASSETS	
Cash	<u>\$ 297,283</u>
TOTAL ASSETS	<u>297,283</u>
LIABILITIES	
Due to Economic Development Council	<u>10,330</u>
TOTAL LIABILITIES	<u>10,330</u>
NET POSITION	
Unrestricted	<u>286,953</u>
TOTAL NET POSITION	<u><u>\$ 286,953</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, 2013**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
GOVERNMENTAL ACTIVITIES				
General Administrative	\$ 10,140	-	12,184	2,044
Marketing	205	-	-	(205)
TOTAL GOVERNMENTAL ACTIVITIES	<u>10,345</u>	<u>0</u>	<u>12,184</u>	<u>1,839</u>
GENERAL REVENUES				
Unrestricted Interest				230
Other General Revenue				594
Total General Revenues				<u>824</u>
Change in Net Position				2,663
Net Position - Beginning				<u>284,290</u>
Net Position - Ending				<u>\$ 286,953</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, 2013**

	<u>General Fund</u>
ASSETS	
Cash	<u>\$ 297,283</u>
TOTAL ASSETS	<u><u>\$ 297,283</u></u>
LIABILITIES	
Due to Economic Development Council	<u>\$ 10,330</u>
FUND BALANCES	
Assigned for Industrial Development	136,953
Unassigned	<u>150,000</u>
TOTAL FUND BALANCES	<u>286,953</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 297,283</u></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 BALANCES
For the Fiscal Year Ended June 30, 2013**

	General Fund
REVENUES	
Intergovernmental Revenue	\$ 12,184
Unrestricted Interest	230
Refunds and Reimbursements	594
TOTAL REVENUES	13,008
EXPENDITURES	
General Administrative	10,140
Marketing	205
TOTAL EXPENDITURES	10,345
Excess of Revenues Over Expenditures	2,663
Fund Balances, Beginning of Fiscal Year	284,290
Fund Balances, End of Fiscal Year	\$ 286,953

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, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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 Internal Revenue Code 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 *Accounting Standard Codification*.

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. 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.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the EDB. The EDB has only *governmental activities*, which normally are supported by intergovernmental revenues and taxes. 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 general fund, which is the only governmental fund of the EDB.

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*. Accordingly, all of the EDB's assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included in the accompanying statement of net position. 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, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenue and expenditures. Actual results may differ from these estimates.

Accounting Changes

In the fiscal year ended June 30, 2013, EDB implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. As a result of the adoption of this statement, the EDB now uses the term "Net Position" within the financial statements.

**JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Government-Wide Statements: Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The EDB reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – net position is considered to be restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or donors.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the EDB.

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.

Fund Equity

Fund-Level Statements: The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – amounts that cannot be spent either because they are not in spendable form or because of legal/contractual requirements.

Restricted fund balance – amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts that are obligated to a specific purpose which are internally imposed by the Board of Directors, the highest level of decision-making authority, through a resolution, which is the highest level of action the Board of Directors can take. Amounts cannot be used for any other purpose unless the Board of Directors takes the same highest level action to remove or change the constraint.

Assigned fund balance – amounts that are intended to be used for specific purposes that are considered neither restricted nor committed. Amounts are assigned by the Board of Directors. The Board has approved \$136,953 to be assigned for industrial development within the General Fund.

Unassigned fund balance – amounts that are available for any purpose.

**JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity (Continued)

When an expenditure is incurred for purposes for which assigned or unassigned fund balances can be used, it is the EDB's policy to deplete assigned fund balance first. Unassigned fund balance is applied last.

NOTE 2 - DEPOSITS

The EDB has various deposits at banks at June 30, 2013. 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:

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

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. At June 30, 2013, the carrying amount of the EDB's deposits was \$297,283. EDB's balances in each bank account at year-end were fully covered by FDIC insurance.

NOTE 3 - RISK MANAGEMENT ACTIVITIES

The EDB carried insurance coverage for general liability and contents.

NOTE 4 - UNCERTAINTY IN INCOME TAXES

The EDB did not have unrecognized tax liabilities as of June 30, 2013 and does not expect this to change significantly over the next 12 months. The EDB will recognize interest and penalties accrued on any unrecognized tax liabilities as a component of income tax expense. As of June 30, 2013, the EDB has not accrued interest or penalties related to uncertain tax positions. The EDB's federal informational returns for tax years 2010 and beyond remain subject to examination by the Internal Revenue Service.

NOTE 5 - OTHER MATTERS

During the current fiscal year, the funds which were approved from Johnson City, Jonesborough and a portion from Washington County for economic development were paid into the Washington County Economic Development Council.

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.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Johnson City/Jonesborough/Washington County Economic Development Board, Inc. (EDB), a nonprofit organization, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the EDB's basic financial statements and have issued our report thereon dated November 11, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the EDB'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the EDB's internal control. Accordingly, we do not express an opinion on the effectiveness of the EDB's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. These are finding numbers 2013-01, 2013-02, and 2012-01 through 2012-04.

Compliance and Other Matters

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

Economic Development Board's Response to Findings

The EDB's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. EDB's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Blackburn, Childers and Steagall, PLLC
BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

November 11, 2013

**JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2013**

FINDINGS – FINANCIAL STATEMENT AUDIT

Current Year Significant Deficiencies

2013-01 Preparation of Annual Budgets

Condition: An annual budget has not been prepared for the current year.

Criteria: All governmental entities are required to prepare annual budgets.

Effect: Failure to prepare a budget limits the monitoring of targeted revenues and expenditures and also indicates noncompliance with current standards.

Recommendation: We recommend that annual budgets be prepared each fiscal year and that appropriate monitoring of the budgets for needed amendments be conducted throughout the year.

Managements' Comment: Although the revenue and disbursements are minimal; the WCEDC Operations Manager along with the CEO are working to form a budget that will be approved by the EDB board at their next scheduled board meeting.

2013-02 Signature Cards

Condition: During the review of the bank confirmations, it was noted that the signature cards had not been updated to remove terminated employees as authorized signers for one of the accounts.

Criteria: Authorized bank account signers should be removed upon termination of employment.

Effect: Failure to update the authorized bank account signers could result in inappropriate or unauthorized bank activity.

Recommendation: We recommend that the signature cards for all bank accounts be reviewed and updated as soon as possible.

Managements' Comment: We are in the process of scheduling a Board meeting. The agenda will include updating signature cards to reflect the current status of the EDB board members.

**JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2013**

FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Prior Year Significant Deficiencies – Not Implemented

2012-01 Segregation of Duties

Condition: With many of the activities of the EDB now performed by the WCEDC, 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 WCEDC may need to review and sign indicating approval on journal entries, bank reconciliations, invoices for payment and/or other accounting functions.

Managements' Comment: New procedures have been implemented for the Fiscal Year 2014 that affect segregation of duties along with accountability. These procedures include: 1) All mail is opened with two staff present (one of which is the CEO); 2) Invoices, bank reconciliations, journal entries, and /or other accounting functions are done by the Operations Manager and signed by the CEO; 3) Financial statements are presented to the EDB board and approved as well; 4) Lastly, in addition to the new implemented procedures, all checks must be signed by two board members.

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 EDB. 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 understand the financial statements, as well as the accompanying note disclosures in the audited financial statements.

**JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2013**

FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Prior Year Significant Deficiencies – Not Implemented (Continued)

2012-02 Preparation of Financial Statements (Continued)

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: It is our intention to continue having BCS conduct our audit, however, there is a permanent staff member present who is capable to read, understand, and accept the audited financials.

2012-03 Support for Disbursements

Condition: Adequate support was not provided for all of 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.

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: New procedures have been implemented for the Fiscal Year 2014 that affect how disbursements are handled, which include the following: 1) All mail is opened with two staff present; 2) The CEO is required to sign off on an invoice before it is keyed in for payment; 3) Disbursements that do not result in a written check, such as journal entries, must be printed and signed by the CEO; 4) Bank reconciliations have to be signed by the CEO; 5) Checks written must be signed by two current board members.

**JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2013**

FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

Prior Year Significant Deficiencies – Not Implemented (Continued)

2012-04 Revenues

Condition: The majority of the revenues, which formerly were received by the EDB, are now being received by the Washington County Economic Development Council.

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

Effect: The WCEDC has not been recognized as the County’s economic development board for the fiscal year ended June 30, 2013.

Recommendation: We recommend that until the WCEDC is designated as the area’s economic development board, all receipts intended for the EDB be deposited and tracked in the EDB accounts or consideration given to the implementation of operating agreements with the WCEDC until such time as that approval is obtained.

Managements’ Comment: The leadership of both the EDB and the WCEDC are in the process for the WCEDC to be formally recognized as the Chapter 1101 organization for Washington County. However, until that change is made, all revenue and disbursements for the EDB are being recorded under the EDB account with the following procedures outlined in audit finding 2012-01 and 2012-03.

Prior Year Significant Deficiencies – Implemented

None Reported