



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

AUDITED FINANCIAL STATEMENTS

2014

JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY

ECONOMIC DEVELOPMENT BOARD, INC.

FINANCIAL STATEMENTS

For the Period Ended February 28, 2014

**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 Period Ended February 28, 2014**

Representing Johnson City:

Jeff Banyas
David Tomita
Ralph Van Brocklin
Clayton Stout

Representing Washington County:

Dan Eldridge
Mark Larkey
Pat Wolfe

Representing Johnson City Power Board:

Jeff Dykes
Guy Wilson
Scott Bowman

Representing CenturyLink:

Lottie Ryans

Representing the Johnson City Chamber of Commerce:

Larry Calhoun
Chuck Mason
Lottie Ryans
Joe Carr

Representing Jonesborough:

Homer G'Fellers

Representing Atmos Energy:

Jim Pugh

Representing Greenbelt:

Dan Cross

Members-At-Large:

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

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Washington County Economic Development Council
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), as of and for the eight months period ended February 28, 2014, 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 presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 February 28, 2014, and the respective changes in financial position for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As disclosed in Note 4, the dissolution of the EDB was approved the EDB Board of Directors in February 2014. The operations of the EDB were transferred to the Washington County Economic Development Council.

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 September 23, 2014, 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, P.C.
BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

September 23, 2014

**JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.
STATEMENT OF NET POSITION
February 28, 2014**

	<u>Governmental Activities</u>
ASSETS	
Cash	<u>\$ 363,257</u>
TOTAL ASSETS	<u>363,257</u>
LIABILITIES	
Due to Economic Development Council	<u>10,330</u>
TOTAL LIABILITIES	<u>10,330</u>
NET POSITION	
Unrestricted	<u>352,927</u>
TOTAL NET POSITION	<u><u>\$ 352,927</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 Period Ended February 28, 2014**

<u>Functions/Programs</u>	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES					
General Administrative	\$ 7,315	-	73,103	-	65,788
TOTAL GOVERNMENTAL ACTIVITIES	7,315	0	73,103	0	65,788
GENERAL REVENUES					
					186
					186
					65,974
					286,953
					\$ 352,927

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
February 28, 2014**

	<u>General Fund</u>
ASSETS	
Cash	<u>\$ 363,257</u>
TOTAL ASSETS	<u><u>\$ 363,257</u></u>
 LIABILITIES	
Due to Economic Development Council	<u>\$ 10,330</u>
 FUND BALANCES	
Assigned for Industrial Development	202,927
Unassigned	<u>150,000</u>
TOTAL FUND BALANCES	<u>352,927</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 363,257</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 Period Ended February 28, 2014**

	General Fund
REVENUES	
Intergovernmental Revenue	\$ 73,103
Unrestricted Interest	186
	73,289
TOTAL REVENUES	73,289
EXPENDITURES	
General Administrative	7,315
	7,315
TOTAL EXPENDITURES	7,315
Excess of Revenues Over Expenditures	65,974
Fund Balances, Beginning of Fiscal Year	286,953
Fund Balances, End of Fiscal Year	\$ 352,927

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 Period Ended February 28, 2014**

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 Period Ended February 28, 2014**

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. In the current period, 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.

**JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
For the Period Ended February 28, 2014**

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 \$202,927 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 Period Ended February 28, 2014**

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 February 28, 2014. 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 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 February 28, 2014, the carrying amount of the EDB's deposits was \$363,257. EDB's balances in each bank account were fully covered by FDIC insurance at the end of the period.

NOTE 3 - UNCERTAINTY IN INCOME TAXES

The EDB did not have unrecognized tax liabilities as of February 28, 2014, 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 February 28, 2014, the EDB has not accrued interest or penalties related to uncertain tax positions. The EDB's federal informational returns for tax years 2011 and beyond remain subject to examination by the Internal Revenue Service.

NOTE 4 - DISSOLUTION

The dissolution of the EDB was approved by the EDB Board of Directors in February 2014. The Washington County Economic Development Council (WCEDC) was approved via an interlocal agreement as the area's designated economic development organization and all EDB assets were transferred to the WCEDC during March 2014.

**JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
For the Period Ended February 28, 2014**

NOTE 4 - DISSOLUTION (CONTINUED)

Details of the final disposition of assets and liabilities is as follows:

<u>Account</u>	<u>Transfer Date</u>	<u>Amount</u>
Bank of Tennessee	3/6/2014	\$ 190,036
Due to WCEDC	3/6/2014	(10,330)
SunTrust Bank	3/28/2014	173,221
		<u>\$ 352,927</u>

Subsequent to this transfer, formal articles of dissolution and a termination of corporate existence were filed with the Tennessee Secretary of State in April 2014.

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
Washington County Economic Development Council

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), as of and for the eight month period ended February 28, 2014, and the related notes to the financial statements, which collectively comprise the EDB's basic financial statements and have issued our report thereon dated September 23, 2014.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

We noted certain other matters that we reported to management in a separate letter dated September 23, 2014.

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

September 23, 2014

**JOHNSON CITY/JONESBOROUGH/WASHINGTON COUNTY
ECONOMIC DEVELOPMENT BOARD, INC.
SCHEDULE OF FINDINGS AND RESPONSES
For the Period Ended February 28, 2014**

FINDINGS – FINANCIAL STATEMENT AUDIT

Current Year Significant Deficiencies

None noted

Prior Year Significant Deficiencies – Not Implemented

None noted

Prior Year Significant Deficiencies – Implemented

2013-01 Preparation of Annual Budget – no longer applicable due to dissolution

2013-02 Signature Cards

2012-01 Segregation of Duties

2012-02 Preparation of Financial Statements

2012-03 Support for Disbursements

2012-04 Revenues