



## **FINANCIAL STATEMENTS**

**2015**

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL**

**FINANCIAL STATEMENTS  
WITH SUPPLEMENTAL INFORMATION**

**For the Fiscal Year Ended June 30, 2015**

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL  
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## **INTRODUCTORY SECTION**

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL  
ROSTER OF BOARD MEMBERS  
For the Fiscal Year Ended June 30, 2015**

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**Chair – Joe Grandy  
Vice-Chairman – Ron Scott  
Secretary/Treasurer – Tommy Burleson  
Immediate Past Chairman – Lottie Ryans**

**Members\***

Bob Armstrong  
Dr. Jeff Banyas  
Julia Hayter  
Warren Broyles  
Tommy Burleson  
Mitch Cox  
Philip Cox  
Jeff Dykes  
Dan Eldridge  
Bobby Jobe  
Jeff Johnson  
Mark Kinser  
Mark Larkey  
Alan Levine  
Greg Matherly  
Dr. Brian Noland  
Chuck Perry  
Pete Peterson  
Jim Powell  
Jim Pugh  
Jimmy Rhein  
Jeremy Ross  
Lottie Ryans  
Dr. Jon Smith  
Rab Summers  
Gerald Thomas  
Melody Trimble  
Dr. Ralph Van Brocklin

\* Not all of those listed above voted during the fiscal year,  
as certain members share a membership

## **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 Washington County Economic Development Council (the WCEDC), as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the WCEDC'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 from 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Johnson City	801B Sunset Drive, Johnson City, TN 37604	423.282.4511
Kingsport	1361 South Wilcox Drive, Kingsport, TN 37660	423.246.1725
Greeneville	550 Tusculum Boulevard, Greeneville, TN 37745	423.638.8516

### ***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 WCEDC as of June 30, 2015, and the respective changes in financial position and the budgetary comparison for the general fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of a Matter***

As discussed in Note 1 to the financial statements, the WCEDC became the designated joint economic and community development board, as required by Public Chapter 1101 of the State of Tennessee, during the fiscal year. As a result, the WCEDC changed its basis of accounting from the Financial Accounting Standards Board *Accounting Standards Codification* to *Government Accounting Standards*.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the WCEDC's basic financial statements. The introductory section and supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

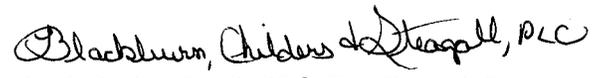
The supplemental information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Washington County Economic Development Council  
Independent Auditors' Report

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 December 9, 2015, on our consideration of the WCEDC'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 WCEDC's internal control over financial reporting and compliance.

  
BLACKBURN, CHILDERS & STEAGALL, PLC  
Johnson City, Tennessee

December 9, 2015

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2015**

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The Washington County Economic Development Council (Council) is recognized by the Internal Revenue Service as a 501(c)(6) non-profit corporation, which is funded through private and public monies. Our discussion and analysis of the Washington County Economic Development Council's financial performance provides an overview of the Council's financial activity for the year ended June 30, 2015. Please read it in conjunction with the financial statements, which follow this section.

**Financial Highlights**

- The Council ended the fiscal year with \$846,466 in total net position.
- The year ended with an increase in net position of \$23,730 and excess of revenues over expenditures of \$24,262.

**Overview of the Financial Statements**

This discussion serves as an introduction to the Washington County Economic Development Council's basic financial statements, which are the government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-Wide Financial Statements: The government-wide financial statements report information about the overall finances of the Council similar to a private sector company. These statements are:

The *Statement of Net Position* presents information on the Council's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the Council's financial position is improving or deteriorating.

The *Statement of Activities* presents information showing how the Council's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements: The fund financial statements report information on a modified accrual basis. The major difference in the balance sheet and the statement of net position is the capital assets. The differences in the statement of revenues, expenditures and changes in fund balances and the statement of activities are recognition of changes in capital assets additions, disposals, and depreciation expense. The Council uses fund accounting to ensure and demonstrate fiscal accountability.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2015**

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**Financial Analysis of the Council – Government-Wide Level**

Our analysis of the Council as a whole is shown in Tables 1A and 1B. One of the most important questions asked about the Council's finances is, "Is the Council as a whole better or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Council as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using accounting methods similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

*Net Position-Table 1A*

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 669,783	771,887
Accounts Receivable	24,286	-
Deposit on Leased Property	1,200	1,200
Furnitures and Fixtures, Net of Accumulated Depreciation	16,169	28,701
Land and Land Option	<u>138,000</u>	<u>126,000</u>
<b>TOTAL ASSETS</b>	<u>849,438</u>	<u>927,788</u>
<b>LIABILITIES</b>		
Accounts Payable	<u>2,972</u>	<u>21,718</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Revenue - Unearned Memberships	<u>-</u>	<u>83,334</u>
<b>NET POSITION</b>		
Investment in Capital Assets	154,169	154,701
Restricted for the Economic Summit	563	29,679
Restricted for Industrial Development	163,771	173,222
Unrestricted	<u>527,963</u>	<u>465,134</u>
<b>TOTAL NET POSITION</b>	<u>\$ 846,466</u>	<u>822,736</u>

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2015**

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An increase in net position is an indicator that a business is improving. The net position increased \$23,730 from 2014 to 2015. In contrast, last fiscal year, 2014, compared to fiscal year 2013, the net position increased \$517,534.

The majority of the reason for such a substantial decrease in net position when comparing prior year, resulted from the transfer of assets from the Economic Development Board (EDB) to the Council in the prior fiscal year, 2014. That transfer was an unusual occurrence and resulted in a substantial increase in net position in 2014.

*Change in Net Position-Table 1B*

	<u>2015</u>	<u>2014</u>
REVENUES		
Program Revenues		
Charges for Services	\$ 85,820	40,000
Operating Grants/Contributions	2,756,753	667,283
Capital Grants/Contributions	-	429,928
	<u>2,842,573</u>	<u>1,137,211</u>
TOTAL REVENUES		
	2,842,573	1,137,211
EXPENSES		
General Administrative	631,612	500,872
Downtown Development	2,583	2,285
Business Development	2,021,418	44,216
Existing Business Development	7,529	17,216
Annual Meeting	65,988	7,190
Special Projects	89,713	47,898
	<u>2,818,843</u>	<u>619,677</u>
TOTAL EXPENSES		
	2,818,843	619,677
Change in Net Position	23,730	517,534
Net Position, Beginning of Fiscal Year	<u>822,736</u>	<u>305,202</u>
Net Position, End of Fiscal Year	<u>\$ 846,466</u>	<u>822,736</u>

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2015**

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Charges for Services was a new revenue account in fiscal year 2014 and became effective January 1, 2014. This revenue account only reflects half of a fiscal year for 2014; therefore, the revenue for 2015 increased significantly because it reflects a full fiscal year.

There are a few reasons for the 313 percent increase in Operating Grants/Contributions:

- City funding increased in 2015 compared to 2014 to the Council. This revenue was given to the Johnson City Development Authority ("JCDA") in the prior fiscal year to cover their prior year and current year payables. However, the JCDA did not require the same amount in operating revenue for fiscal year 2015 so the funds were diverted to the Council. The JCDA is one of the entities that the Council provides management services for, and the amount that the City diverted to the Council in 2015 could change slightly year-to-year based on the operating needs of the JCDA.
- Several months of public funding from Washington County was given to the Economic Development Board in 2014, but the Council received all of the funding in 2015.
- The Council sold conference room and office furniture in 2015 which resulted in income from the sale of assets.
- Increase and re-classification of funds received for business and economic development from the Northeast Tennessee Valley Regional Industrial Development Association ("NETVRIDA").
- The Council gained a new private investor, Atmos Energy, for fiscal year 2015.
- The Council opened a money market account in fiscal year 2015 and gained some Interest income from that account.

The Operating Grants/Contributions figure reflects two million dollars of grant funds that were passed through the Council from the State of Tennessee for an incentive to a local manufacturer. These funds were given directly to the company qualifying for the state grant funding. The outflow of that grant is reflected in the business development expenses.

**Financial Analysis of the Council – Fund Level**

The focus of the Council's general fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Council's financing requirements. In particular unassigned fund balances may serve as a useful measure of the Council's net resources available for spending at the end of the fiscal year. Our analysis of the Council's General Fund, at the fund level, is presented in Table 2A, Balance Sheet Summary and Table 2B, Statement of Revenues, Expenditures, and Changes in Fund Balances Summary. The Council presents only a general fund, which is a governmental fund. All of the Council's basic services are reported in the general fund, The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental or general funds is described in a reconciliation, which is included with the financial statements. The only difference in the balance sheet and the statement of net position is the capital assets. The differences in the statement of revenues, expenditures and changes in fund balances and the statement of activities are recognition of changes in capital assets additions, disposals, and depreciation expense.

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2015**

*Table 2A – Balance Sheet Summary*

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 669,783	771,887
Accounts Receivable	24,286	-
Deposit on Leased Property	<u>1,200</u>	<u>1,200</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 695,269</u></u>	<u><u>773,087</u></u>
<b>LIABILITIES</b>		
Accounts Payable	<u>\$ 2,972</u>	<u>21,718</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Revenue - Unearned Memberships	<u>-</u>	<u>83,334</u>
<b>FUND BALANCES</b>		
Restricted for the Economic Summit	563	29,679
Restricted for Industrial Development	163,771	173,222
Committed for the Farmer's Market	2,715	2,715
Assigned for Land, Grant Matching and Infrastructure	318,367	105,708
Unassigned	<u>206,881</u>	<u>356,711</u>
<b>TOTAL FUND BALANCES</b>	<u>692,297</u>	<u>668,035</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 695,269</u></u>	<u><u>773,087</u></u>

According to the Balance Sheet of the Fund Financial Statements, total assets decreased around 10 percent solely due to the increase in expenses. Total liabilities at year end decreased significantly. There was no revenue deferred at the end of this fiscal year, compared to last year of \$83,334.

The Council's fund balance policy states that unassigned funds in excess of cash flow reserve will automatically be transferred to the assigned land, grant matching and infrastructure fund. Therefore, the decrease in unassigned fund balance is due to that transfer of excess funds.

Lastly, all of the revenue received by the City of Johnson City restricted for the purpose of the Annual Meeting/Economic Summit was not used within this fiscal year, \$563 compared to an unused amount of \$29,679 in last fiscal year. Therefore, the revenues in excess of expenditures was restricted for the purpose in which it was intended.

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2015**

Revenues from the General Fund, at the fund level, were \$2,842,573 compared to \$1,060,211 for the fiscal year that ended June 30, 2014. Expenditures in the General Fund for fiscal year 2014-2015 were \$2,818,311 compared to \$639,210 for the previous fiscal year, 2013-2014. The table below presents, in summary form, comparative data for key aspects of the Statement of Revenues, Expenditures, and Changes in Fund Balances.

*Table 2B – Statement of Revenues, Expenditures, and Changes in Fund Balances Summary*

	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>		
Operating Revenues	\$ 2,842,573	707,283
Capital Grants/Contributions	-	352,928
<b>TOTAL REVENUES</b>	<u>2,842,573</u>	<u>1,060,211</u>
<b>EXPENDITURES</b>		
General Administrative	621,318	508,405
Downtown Development	2,583	2,285
Business Development	2,021,418	44,216
Existing Business Development	7,529	17,216
Annual Meeting	65,988	7,190
Special Projects	99,475	59,898
<b>TOTAL EXPENDITURES</b>	<u>2,818,311</u>	<u>639,210</u>
Excess of Revenues Over Expenditures	24,262	421,001
Fund Balances, Beginning of Fiscal Year	<u>668,035</u>	<u>247,034</u>
Fund Balances, End of Fiscal Year	<u>\$ 692,297</u>	<u>668,035</u>

Revenues from the General Fund, at the fund level, increased significantly due to the grant funds of \$2 million passed through the Council to the recipient.

Factors that led to the increase in revenues are: public funding from City of Johnson City and Washington County that were diverted to the JCDA and the Economic Development Board in 2014; sale of assets; funds for business/economic development received by NETVRIDA; new investor, Atmos Energy; management fee income; and, interest income.

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2015**

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Overall Expenditures increased in 2015 compared to 2014 due to the following reasons:

- Salary expenses increased in fiscal year 2015 compared to 2014. In 2014, the Council was not fully staffed for the entire year, but salaries in fiscal year 2015 consisted of five full-time salaried positions and a part-time temporary position that is through a staffing agency.
- Increase in professional services. The Council hired an outside marketing firm to handle marketing and communications for the Council. That was a new expense category for 2015.
- Increase in façade grants awarded in fiscal year 2015 compared to 2014.
- The Council approved, during fiscal year 2015, an ongoing pledge to East Tennessee State University for the Fine and Performing Arts Center. The first year pledge amount was \$50,000, which will be followed by annual contributions of \$25,000 for the next 18 years.
- Lastly, the Council approved a study of Knob Creek in the amount of \$58,000. This is not a recurring expense and was not a part of the original budget.

**BUDGETARY HIGHLIGHTS**

The original budget for fiscal year 2015 was approved in fiscal year 2014, and it was amended by the Council board on April 16, 2015.

The amendment to the budget was necessary for the following reasons:

- The Council approved use of assigned funds towards an ongoing pledge to support the East Tennessee State University Fine and Performing Arts Center.
- The Council approved the use of assigned funds to pay for a feasibility study for Knob Creek that was not a part of the budget.
- Lastly, the state unemployment payroll tax rate increased from 2.7 percent to 8.5 percent during the fiscal year, which led to a need to increase the budgeted amount for payroll taxes.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

The Council's investment in capital assets as of June 30, 2015 amounts to \$16,169, net of accumulated depreciation for office furniture and equipment. It also includes \$138,000 for Land and a Land Option. The Council has no debt.

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2015**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Most entities conduct business planning with the intent to increase sales to existing customers and to increase the overall customer base. A more appropriate goal for an entity such as the Washington County Economic Development Council is to successfully encourage economic growth throughout Washington County by developing a strategic plan for the region and promoting the work of its partners, such as the City of Johnson City, Washington County, Town of Jonesborough, the Johnson City Development Authority, Public Building Authority, and the Industrial Development Board. A good measure of the financial health of the Council can be obtained from a collective look at the performance of not only the Council but the entities in which it serves. External factors that can impact the financial condition of the Council include memberships, City and County finances, regional and economic trends. Barring any unexpected changes in such external factors we anticipate a continuation, if not acceleration, of the economic growth and health of Washington County and the Tri-Cities region. The following are a few known factors moving forward that we consider will build momentum in fiscal year 2016:

- The Council is making an effort to enhance organizational effectiveness through the recruitment of new private investment. The three main objectives include: a feasibility study to outline a strategic action plan encompassing projects and programs to be funded; create marketing materials geared towards retaining and recruiting private investors; and, the restructuring of investor categories to become more inclusive of small and regional businesses without comprising the value of the current public/private partnerships.
- Another goal of the Council is to enhance existing business programs, create an industrial leaders association towards building relationships between area manufacturers, and improve and develop programs pertaining to existing industry support.
- The Council plans to conduct site consultant trips and to market to companies and consultants by attending conferences, trade shows and recruitment visits to targeted industries.
- The Council is looking to create opportunities for a regional partnership between Washington, Carter, and Unicoi County, which will lead to the development of a platform where the three counties within the Johnson City Tennessee MSA, can work together and market their communities with a shared vision as one voice.

**CONTACTING THE COUNCIL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Council's finances. If you have any questions about this report or need any additional information contact the Operations Manager, Washington County Economic Development Council, 300 E. Main Street, Suite 406, Johnson City, TN 37601.

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL**  
**STATEMENT OF NET POSITION**  
**June 30, 2015**

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 669,783
Accounts Receivable	24,286
Deposit on Leased Property	1,200
Furniture and Fixtures, Net of Accumulated Depreciation	16,169
Land and Land Option	<u>138,000</u>
<b>TOTAL ASSETS</b>	<u>849,438</u>
<b>LIABILITIES</b>	
Accounts Payable	<u>2,972</u>
<b>NET POSITION</b>	
Investment in Capital Assets	154,169
Restricted for the Economic Summit	563
Restricted for Industrial Development	163,771
Unrestricted	<u>527,963</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 846,466</u></u>

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

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2015**

Functions/Programs	Expenses	PROGRAM REVENUES		NET (EXPENSE)		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	REVENUE AND CHANGES IN NET POSITION	
				Governmental Activities		
<b>GOVERNMENTAL ACTIVITIES</b>						
General Administrative	\$ 631,612	85,820	717,384	-	171,592	
Downtown Development	2,583	-	-	-	(2,583)	
Business Development	2,021,418	-	2,002,500	-	(18,918)	
Existing Business Development	7,529	-	-	-	(7,529)	
Annual Meeting	65,988	-	36,869	-	(29,119)	
Special Projects	89,713	-	-	-	(89,713)	
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>2,818,843</b>	<b>85,820</b>	<b>2,756,753</b>	<b>0</b>	<b>23,730</b>	
					Change in Net Position	23,730
					Net Position - Beginning	822,736
					Net Position - Ending	<u>\$ 846,466</u>

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

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL  
BALANCE SHEET  
GOVERNMENTAL FUND  
June 30, 2015**

	General Fund
<b>ASSETS</b>	
Cash	\$ 669,783
Accounts Receivable	24,286
Deposit on Leased Property	1,200
<b>TOTAL ASSETS</b>	<b>\$ 695,269</b>
<b>LIABILITIES</b>	
Accounts Payable	\$ 2,972
<b>FUND BALANCES</b>	
Restricted for the Economic Summit	563
Restricted for Industrial Development	163,771
Committed for the Farmer's Market	2,715
Assigned for Land, Grant Matching and Infrastructure	318,367
Unassigned	206,881
<b>TOTAL FUND BALANCES</b>	<b>692,297</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 695,269</b>

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

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL  
RECONCILIATION OF BALANCE SHEET OF THE GOVERNMENTAL FUND  
TO THE STATEMENT OF NET POSITION  
June 30, 2015**

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Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balances - Governmental Fund	\$ 692,297
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund. The cost of the assets is \$200,745 and the accumulated depreciation is \$46,576.	<u>154,169</u>
Net Position of Governmental Activities	<u><u>\$ 846,466</u></u>

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

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND**  
**For the Fiscal Year Ended June 30, 2015**

	General Fund
<b>REVENUES</b>	
Intergovernmental Revenues	\$ 2,463,813
Memberships	225,006
Marketing Revenue	24,286
Summit Sponsorships	36,869
Management Fees	85,820
TVA Grant	2,500
Miscellaneous	4,279
<b>TOTAL REVENUES</b>	<b>2,842,573</b>
<b>EXPENDITURES</b>	
General Administrative	
Salaries	321,813
Payroll Taxes	27,905
Retirement	13,627
Employee Insurance	58,907
Insurance	2,313
Payroll Service Fees	1,460
Miscellaneous	108
Memberships, Dues and Subscriptions	12,165
Office Supplies	2,883
Postage	652
Other Supplies	790
Education and Conferences	10,976
Meals and Entertainment	942
Team Building	410
Office Equipment and Furniture	8,194
Professional Services	79,393
Rent	41,700
Property Insurance	2,396
Janitorial Services	990
Vehicle Expense	12,557
Communications	18,732
Meeting Expense	2,405
	621,318
General Administrative	621,318
Downtown Development	2,583
Business Development	2,021,418
Existing Business Development	7,529
Annual Meeting	65,988
Special Projects	99,475
<b>TOTAL EXPENDITURES</b>	<b>2,818,311</b>

(Continued)

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUND  
For the Fiscal Year Ended June 30, 2015**

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	General Fund
Excess of Revenues Over Expenditures	24,262
Fund Balances, Beginning of Fiscal Year	<u>668,035</u>
Fund Balances, End of Fiscal Year	<u>\$ 692,297</u>

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

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2015**

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Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balance - Governmental Fund	\$ 24,262
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 outlay of \$13,556 exceeded depreciation of \$11,849 in the current period.	1,707
The net effect of various miscellaneous transactions involving capital assets (i.e sales, trade-ins, and donations) as to decrease net position.	<u>(2,239)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 23,730</u></u>

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

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
<b>INTERGOVERNMENTAL REVENUES</b>				
City of Johnson City	\$ 203,379	203,379	203,379	-
Washington County	171,206	171,206	171,206	-
Johnson City Power Board	82,228	82,228	82,228	-
Town of Jonesborough	7,000	7,000	7,000	-
State of Tennessee	-	-	2,000,000	2,000,000
<b>TOTAL INTERGOVERNMENTAL REVENUES</b>	<b>463,813</b>	<b>463,813</b>	<b>2,463,813</b>	<b>2,000,000</b>
<b>CHARGES FOR SERVICES</b>				
Management Fees	85,820	85,820	85,820	-
<b>TOTAL CHARGES FOR SERVICES</b>	<b>85,820</b>	<b>85,820</b>	<b>85,820</b>	<b>0</b>
<b>OPERATING CONTRIBUTIONS</b>				
Memberships	208,340	208,340	225,006	16,666
Economic Summit	36,869	36,869	36,869	-
Marketing Revenue	24,249	24,249	24,286	37
Tennessee Valley Authority	-	-	2,500	2,500
Waste Management	20,000	20,000	-	(20,000)
<b>TOTAL OPERATING CONTRIBUTIONS</b>	<b>289,458</b>	<b>289,458</b>	<b>288,661</b>	<b>(797)</b>
<b>MISCELLANEOUS</b>				
Interest Income	-	-	1,060	1,060
Other Income	-	-	3,219	3,219
<b>TOTAL MISCELLANEOUS</b>	<b>0</b>	<b>0</b>	<b>4,279</b>	<b>4,279</b>
<b>TOTAL REVENUES</b>	<b>839,091</b>	<b>839,091</b>	<b>2,842,573</b>	<b>2,003,482</b>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>GENERAL ADMINISTRATIVE</b>				
Salaries	330,720	330,720	321,813	8,907
Payroll Taxes	25,338	28,478	27,905	573
Retirement	13,678	13,677	13,627	50
Employee Insurance	66,545	66,890	58,907	7,983
Insurance	2,566	2,576	2,313	263
Payroll Service Fees	1,500	1,500	1,460	40
Printing	250	250	-	250
Miscellaneous	150	150	108	42
Memberships, Dues and Subscriptions	14,565	12,915	12,165	750
Office Supplies	3,000	3,000	2,883	117
Postage	500	700	652	48
Other Supplies	750	800	790	10
Education and Conferences	8,500	11,000	10,976	24
Meals and Entertainment	1,000	1,000	942	58
Team Building	400	415	410	5
Office Equipment and Furniture	6,618	8,443	8,194	249

(Continued)

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
GENERAL ADMINISTRATIVE (CONTINUED)				
Professional Services	86,300	84,000	79,393	4,607
Rent	41,700	41,700	41,700	-
Property Insurance	4,324	2,694	2,396	298
Janitorial Services	1,620	1,620	990	630
Vehicle Expense	13,169	13,768	12,557	1,211
Communications	21,095	21,475	18,732	2,743
Meeting Expense	2,500	2,500	2,405	95
TOTAL GENERAL ADMINISTRATIVE	<u>646,788</u>	<u>650,271</u>	<u>621,318</u>	<u>28,953</u>
DOWNTOWN DEVELOPMENT	3,000	3,000	2,583	417
BUSINESS DEVELOPMENT	24,500	24,500	2,021,418	(1,996,918)
EXISTING BUSINESS DEVELOPMENT	10,300	10,300	7,529	2,771
ANNUAL MEETING	36,868	67,000	65,988	1,012
SPECIAL PROJECTS	<u>92,000</u>	<u>150,000</u>	<u>99,475</u>	<u>50,525</u>
TOTAL EXPENDITURES	<u>813,456</u>	<u>905,071</u>	<u>2,818,311</u>	<u>(1,913,240)</u>
Excess (Deficiency) of Revenues Over (Under) Expen	25,635	(65,980)	24,262	90,242
Fund Balances, Beginning of Fiscal Year	<u>668,035</u>	<u>668,035</u>	<u>668,035</u>	<u>-</u>
Fund Balances, End of Fiscal Year	<u>\$ 693,670</u>	<u>602,055</u>	<u>692,297</u>	<u>90,242</u>

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

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Washington County Economic Development Council (WCEDC) is a joint venture between the City of Johnson City, Town of Jonesborough, and Washington County, Tennessee. WCEDC is a non-profit organization under Internal Revenue Code Section 501(c)(6). However, due to the fact that the WCEDC is currently the designated joint economic and community development board; as required by Public Chapter 1101 of the State of Tennessee, for these aforementioned local governments, the WCEDC began using governmental fund accounting and does not follow the Financial Accounting Standards Board *Accounting Standards Codification*.

The WCEDC's purpose is to enhance job growth and increase the tax base of Washington County, Tennessee by engaging the community and business leaders through nurturing existing business and actively recruiting new industries and commerce. It also manages the activity of the Johnson City Development Authority.

**B. 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 WCEDC. The WCEDC has only *governmental activities*, which normally are supported by intergovernmental revenues and taxes. The WCEDC 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 fund of the WCEDC.

**C. 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 WCEDC'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. The WCEDC received funding in the form of memberships from businesses in Washington County, Tennessee. These businesses receive voting privileges in the WCEDC for a period of three years in exchange for their annual pledges.

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. 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 WCEDC 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 WCEDC.

The government reports the following major governmental fund:

The *general fund* is the WCEDC's primary operating fund. It accounts for all financial resources of the general government.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances**

**1. Deposits**

Cash consists of deposits in a checking and a money market account. 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 WCEDC does not have a policy for interest rate risk or for credit risk other than pledging securities for amounts in excess of \$250,000. At June 30, 2015, the carrying amount of the WCEDC's deposits was \$669,783.

**2. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. Capital assets including land, furniture and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,500 for all assets and an estimated useful life in excess of one year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the double declining balance method based on their estimated useful lives.

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances (Continued)**

**3. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The WCEDC has no items that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The WCEDC has no items that qualify for reporting in this category.

**4. Net Position**

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

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 WCEDC.

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

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balances (Continued)**

**5. Fund Balances**

In the fund financial statements, the governmental fund reports fund balances in classifications that comprise a hierarchy based primarily on the extent to which the WCEDC is bound to honor constraints on the specific purposes for which amounts in this fund can be spent. These classifications consist of the following:

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.

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

When an expenditure is incurred for purposes for which assigned or unassigned fund balances can be used, it is the WCEDC's policy to deplete assigned fund balances first. Unassigned fund balance is applied last. It is also the policy of the WCEDC that an amount equal to three months of expenses be held as a cash reserve and that any surplus at fiscal year end in excess of that cash reserve be assigned to land, grant matching, and infrastructure.

**6. 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, revenues and expenditures. Actual results may differ from these estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

An annual budget is adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general fund. During the fiscal year ended June 30, 2015, expenditures exceeded appropriations for business development by \$1,996,918, and was related to an unbudgeted pass-through grant by the State of Tennessee for economic development. This resulted in no effect to the fund balance and the grant was accepted by the Council.

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2015**

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**NOTE 3 - DETAILED NOTES**

**A. Capital Assets**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated, Land and Land Option	\$ 126,000	12,000	-	138,000
Capital Assets, Being Depreciated, Furniture and Fixtures	71,451	1,556	(10,262)	62,745
Less: Accumulated Deprecation	<u>(42,751)</u>	<u>(11,849)</u>	<u>8,024</u>	<u>(46,576)</u>
Net Capital Assets, Being Depreciated	<u>28,700</u>	<u>(10,293)</u>	<u>(2,238)</u>	<u>16,169</u>
Net Capital Assets	<u>\$ 154,700</u>	<u>1,707</u>	<u>(2,238)</u>	<u>154,169</u>

Depreciation was charged as follows:

General Government	<u>\$11,849</u>
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The WCEDC entered into an agreement on January 23, 2013 that gives the WCEDC the rights to purchase land located in Washington County, Tennessee from the period of May 8, 2013 through May 8, 2016. As of June 30, 2015 the WCEDC has paid \$37,000 for this option. If the WCEDC determines they will not purchase the property, the option in its entirety will be expensed.

**B. Operating Leases**

The Council is committed under a lease for office space. The lease is considered for accounting purposes to be an operating lease. Lease expenditures for the fiscal year ended June 30, 2015 amounted to \$41,700. Future lease payments are \$41,700 for fiscal year 2016.

**NOTE 4 - OTHER INFORMATION**

**A. Risk Management**

The WCEDC carries insurance coverage for general liability, contents and errors and omissions.

**B. Retirement Plan**

Employees of WCEDC may participate in an Internal Revenue code section 401(k) retirement savings plan. The Plan is funded by both employee contributions and matching contributions made by the WCEDC pursuant to a salary reduction agreement. Matching contributions totaled \$13,627 for the fiscal year ended June 30, 2015.

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL  
NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2015**

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**NOTE 4 - OTHER INFORMATION (CONTINUED)**

**C. Income Taxes**

The WCEDC did not have unrecognized tax liabilities as of June 30, 2015 and does not expect this to change significantly over the next 12 months. The WCEDC will recognize interest and penalties accrued on any unrecognized tax liabilities as a component of income tax expense. As of June 30, 2015, the WCEDC has not accrued interest or penalties related to uncertain tax positions.

**NOTE 5 - COMMITMENT**

During the fiscal year ended June 30, 2015, the Council pledged \$500,000 to East Tennessee State University for the Fine and Performing Arts Center. The Council contributed \$50,000 during this fiscal year. An additional \$25,000 contribution will be made in each of the next 18 fiscal years.

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL  
SCHEDULE OF STATE FINANCIAL ASSISTANCE  
For the Fiscal Year Ended June 30, 2015**

Contract Number	Program Name/ Grant Number	Grantor Agency	Balance June 30, 2014	Cash Receipts	Expenditures	Balance June 30, 2015
42850	FastTrack Economic Development Program	TN Department of Economic and Community Development	\$ -	2,000,000	2,000,000	-

See Independent Auditors' Report.

## **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  
Johnson City, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Washington County Economic Development Council (WCEDC), as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the WCEDC's basic financial statements, and have issued our report thereon dated December 9, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the WCEDC'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 WCEDC's internal control. Accordingly, we do not express an opinion on the effectiveness of the WCEDC'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.

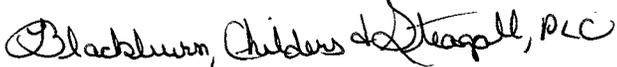
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 WCEDC'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*.

### **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 & STEAGALL, PLC  
Johnson City, Tennessee

December 9, 2015

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2015**

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There were no current fiscal year or prior fiscal year findings.