

WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL

FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
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INTRODUCTORY SECTION

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
ROSTER OF BOARD MEMBERS
For the Year Ended June 30, 2013**

**Chairman – Bobby Jobe
Vice-Chairman – Lottie Ryans
Secretary/Treasurer – Joe Grandy
Immediate Past Chairman – Hank Carr**

Members*

Warren Broyles
Rab Summers
Julia Bell
Joe Grandy
Mark Kinser
Lottie Ryans
Larry Calhoun
Dr. Jeff Banyas
Dr. Wilsie Bishop
Dr. Brian Noland
Chuck Perry
Logan McCabe
Jeff Dykes
Dr. Jon Smith
Candace Jennings
Dennis Vonderfecht
Jim Powell
Tommy Burleson
Gerald Thomas
Rick Kirk
Mitch Cox
Homer G'Fellers
Dan Eldridge

* 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, TN

Report on the Financial Statements

We have audited the accompanying financial statements of the Washington County Economic Development Council (the Council) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

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

Washington County Economic Development Council
Independent Auditors' Report

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington County Economic Development Council as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

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


BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 11, 2013

WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash	\$ 360,419	317,152
Due from Johnson City Development Authority	54,262	16,236
Due from Economic Development Board	10,330	400
Property and Equipment, Net of Accumulated Depreciation	22,017	33,280
Land Option	37,000	-
Deposit on Leased Property	1,200	1,200
TOTAL ASSETS	\$ 485,228	368,268
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 9,785	-
Accrued Expenses	2,823	6,340
Deferred Revenue	167,420	176,504
TOTAL LIABILITIES	180,028	182,844
 NET ASSETS		
Unrestricted	305,200	185,424
TOTAL LIABILITIES AND NET ASSETS	\$ 485,228	368,268

The accompanying notes are an integral part of these financial statements.

WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
UNRESTRICTED REVENUES		
Local Public Funding	\$ 547,836	568,682
Memberships	221,005	244,505
Contribution	20,000	20,000
Summit Sponsorships	10,750	10,750
Other Sources	<u>33,677</u>	<u>5,636</u>
 TOTAL UNRESTRICTED REVENUES	 <u>833,268</u>	 <u>849,573</u>
 EXPENSES		
Economic Development	542,885	515,186
General and Administrative	<u>170,607</u>	<u>122,975</u>
 TOTAL EXPENSES	 <u>713,492</u>	 <u>638,161</u>
 INCREASE IN UNRESTRICTED NET ASSETS	 119,776	 211,412
 UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	 <u>185,424</u>	 <u>(25,988)</u>
 UNRESTRICTED NET ASSETS AT END OF YEAR	 <u>\$ 305,200</u>	 <u>185,424</u>

The accompanying notes are an integral part of these financial statements.

WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Net Assets	\$ 119,776	211,412
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	13,400	13,939
(Increase) Decrease in Assets		
Deposit on Leased Property	-	(1,200)
Increase (Decrease) in Liabilities		
Accounts Payable	9,785	(13,217)
Accrued Expenses	(3,517)	6,340
Deferred Revenue	(9,084)	(35,501)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>130,360</u>	<u>181,773</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(2,137)	(36,097)
Loan to Johnson City Development Authority	(38,026)	(16,236)
Loan to Economic Development Board	(9,930)	(400)
Cash Paid for Land Option	(37,000)	-
NET CASH USED FOR INVESTING ACTIVITIES	<u>(87,093)</u>	<u>(52,733)</u>
NET INCREASE IN CASH	43,267	129,040
CASH BALANCE AT BEGINNING OF YEAR	<u>317,152</u>	<u>188,112</u>
CASH BALANCE AT END OF YEAR	<u>\$ 360,419</u>	<u>317,152</u>

The accompanying notes are an integral part of these financial statements.

WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2013 and 2012

	2013		
	Program Expenses	Supporting Services	Total
	Economic Development	General and Administrative	
Salaries and Wages	\$ 296,158	74,039	370,197
Payroll Taxes	20,020	5,005	25,025
Benefits	59,986	14,997	74,983
Supplies and Equipment	13,166	3,291	16,457
Education and Conferences	7,942	-	7,942
Memberships and Dues	1,794	-	1,794
Transportation	11,421	2,855	14,276
Rent	33,360	8,340	41,700
Professional Services	-	54,155	54,155
Marketing and Promotion	26,661	-	26,661
Utilities	19,042	4,761	23,803
Website	3,000	-	3,000
Depreciation	10,720	2,680	13,400
Other	1,936	484	2,420
Economic Summit	37,679	-	37,679
Total Expenses	<u>\$ 542,885</u>	<u>170,607</u>	<u>713,492</u>

(Continued)

WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2013 and 2012

	2012		
	Program Expenses	Supporting Services	Total
	Economic Development	General and Administrative	
Salaries and Wages	\$ 250,783	66,926	317,709
Payroll Taxes	22,619	5,655	28,274
Benefits	53,450	13,363	66,813
Supplies and Equipment	13,347	3,337	16,684
Education and Conferences	5,282	-	5,282
Memberships and Dues	5,951	-	5,951
Transportation	11,913	2,978	14,891
Rent	30,580	7,645	38,225
Professional Services	-	14,641	14,641
Marketing and Promotion	23,675	-	23,675
Utilities	22,421	5,605	28,026
Website	24,532	-	24,532
Depreciation	11,151	2,788	13,939
Other	147	37	184
Economic Summit	39,335	-	39,335
Total Expenses	<u>\$ 515,186</u>	<u>122,975</u>	<u>638,161</u>

The accompanying notes are an integral part of these financial statements.

WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Washington County Economic Development Council's (the Council) 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 businesses and actively recruiting new industries and commerce.

Basis of Accounting

The financial statements of the Council have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recorded when the obligation is incurred.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC). Under FASB ASC guidance, the Council is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Council had no temporarily or permanently restricted net assets at June 30, 2013 and 2012.

Functional Expense Allocation

The costs to provide programs and services are summarized on a functional basis in the accompanying financial statements. Accordingly, certain expenses have been allocated among the program and supporting services benefited. Costs directly related to a specific function are charged to that function. Salaries and benefits are allocated based on analysis of employee time spent on program services and other activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Income Tax Status

The Council is exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code. However, any unrelated business income may be subject to taxation. In addition, the Council has been determined by the Internal Revenue Service to not be a private foundation within the meaning of Section 509(a).

WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Concentration of Credit Risk

Cash consists of cash in checking accounts and cash on hand. The Council maintains cash balances at a single financial institution. At various times during the year, the balances exceeded the insured limits. The concentration of credit risk is managed by maintaining all deposits in high quality financial institutions.

Advertising

Advertising costs are expensed as incurred. Advertising expenses for the years ended June 30, 2013 and 2012 were \$26,661 and \$23,675, respectively.

Property and Equipment

Property and equipment are assets with an estimated useful life of more than one year and are recorded at cost when purchased or at fair value at the date of the gift, if donated. Expenses from maintenance, repairs and renewals or minor items are charged to expenses as incurred. Depreciation is expensed using the double declining balance method based on the estimated useful lives. Major renewals and betterments are capitalized. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and the difference is reflected as a gain or loss for the period. It is the Council's policy to expense assets with an initial cost of less than \$1,500.

Contributions and Local Government Funding

Contributions and local government funding are recognized when received or when the donor makes a promise to give to the Council that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. As of June 30, 2013 and 2012 there were no restricted assets and the Council had no promises to give or contributions receivable.

The Council also receives funding in the form of memberships from businesses located in Washington County, Tennessee. These businesses receive voting privileges in the Council for a period of three years in exchange for their annual pledges.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Deferred Revenue

Income from memberships is deferred and recognized over the periods to which the dues relate. Deferred revenue totaled \$167,420 and \$176,504 as of June 30, 2013 and 2012, respectively.

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013 and 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land Option

The Council entered into an agreement on January 23, 2013 that gives the Council 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, 2013, the Council had paid \$37,000 for this option. If the Council determines they will not purchase the property, the option in its entirety will be expensed.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2013	2012
Furniture and Equipment	\$ 51,451	49,314
Less: Accumulated Depreciation	(29,434)	(16,034)
Property and Equipment, Net	\$ 22,017	33,280

Depreciation expense was \$13,400 and \$13,939, respectively, for the years ended June 30, 2013 and 2012.

NOTE 3 - RETIREMENT PLAN

Employees of the Council 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 Council, pursuant to a salary reduction agreement. Matching contributions totaled \$13,688 and \$11,750 for the years ended June 30, 2013 and 2012, respectively.

NOTE 4 - CONCENTRATION

The Council received substantial funding from the City of Johnson City, Washington County, and the Johnson City Power Board, with funding totaling \$356,586, \$134,022, and \$57,228, respectively. For the year ended June 30, 2012, funding from these sources was \$356,586, \$134,022, and \$57,228, respectively. Should the Council lose funding from any one of these sources, it would have a detrimental effect on the finances of the Council.

NOTE 5 - UNCERTAIN TAX POSITIONS

The Council follows the FASB ASC, which provides guidance on accounting for uncertainty in income taxes recognized in an organization's financial statements. The Council's policy is to recognize interest and penalties on unrecognized tax liabilities in income tax expense in the financial statements. No interest or penalties were recorded during the years ended June 30, 2013 and 2012. All tax filings since 2009 remain subject to examination.

WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 6 - RECLASSIFICATIONS

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE 7 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 11, 2013, which is the date that the Council's financial statements were available to be issued.

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, TN

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 Washington County Economic Development Council (the Council) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2013.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 Council's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses: **(2012-01, 2012-02, and 2012-03)**.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies: **(2013-01, 2012-13, and 2012-15)**.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council'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*.

Washington County Economic Development Council's Response to Findings

The Council's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Council'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 Council'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 Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 11, 2013

WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013

FINDINGS - FINANCIAL STATEMENT AUDIT

Current Year Finding

2013-01 Significant Deficiency - Support for Journal Entries

Condition: We noted during journal entry testing that there was no documentation to support one out of four journal entries tested.

Criteria: All journal entries 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 journal entries are appropriate.

Recommendation: Documentation should be maintained to support all journal entries made.

Management's Response: All journal entries are now being reviewed and approved by the CEO before posting.

Prior Year Findings Not Implemented

2012-01 Material Weakness - Expense Reports

Condition: During our review of expense reports, we noted that no documentation was retained for any expenses reimbursed directly to two employees.

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: We recommend that all employees be subject to the same protocols for retention of documentation of expenses that are reimbursed.

Management's Response: All employees are now required to submit a monthly expense report that is approved by the CEO. Expense reports submitted by the CEO must be approved by the Council's Secretary/Treasurer.

WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013

FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)

Prior Year Findings Not Implemented (Continued)

2012-02 Material Weakness - Comingling of Funds

Condition: During our review of the Council's expenses, we noted that numerous disbursements of the Washington County Economic Development Board (the EDB) and the Johnson City Development Authority (the JCDA) are being paid from accounts of the Council. We also noted that funds budgeted by local governments for the EDB were being directly deposited into the bank account of the Council.

Criteria: The EDB and the JCDA are recognized by the State of Tennessee as separate legal political subdivisions of the State of Tennessee.

Effect: As a result, expenses of the JCDA and the EDB were included as expenses of the Council. Also, funds that were designated by Washington County to be received by the EDB were deposited into the accounts of the Council.

Recommendation: We recommend that expenses attributable to the EDB and JCDA be paid directly out of their funds and recorded in their respective accounting records. We also recommend that EDB funds be deposited to the accounts of the EDB. Management agreements between the Council and the EDB and JCDA boards should be executed while these organizations maintain their separate legal statuses and recognitions with the State of Tennessee.

Management's Response: Funds from the County are now being placed into the EDB checking account. The Council is also working with the City of Johnson City to redistribute funding that was allocated by the City appropriately between the JCDA and EDB. There has been progress made on moving the 1101 status from the EDB to the Council and that transaction should take place by the end of December 2013. Once the City allocates the funding to the JCDA and EDB, the appropriate actions will be made to make the payments accurately for their expenses.

2012-03 Material Weakness - Payroll

Condition: It came to our attention during testing of payroll expenses that an additional payroll check was written to the CEO in December 2012. Additionally, this payroll check was not authorized by the Board until February 2013.

Criteria: All funds should be authorized by the governing body before disbursements are processed.

Effect: Unauthorized spending could compromise cash flows and lead to potential fraud in the organization.

Recommendation: We recommend that the Board expand their oversight and review processes to ensure that no additional payrolls are processed without approval.

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013**

FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)

Prior Year Findings Not Implemented (Continued)

Management's Response: Payroll is now being reviewed by the Council's CEO and then processed by the Council's accountant. The Council has also established a finance committee that oversees all Council expenses each month prior to the monthly board meeting.

2012-13 Significant Deficiency - Credit Cards

Condition: We noted during our testing of credit card documentation that credit card receipts are not being retained for reconciliation back to the credit card statements.

Criteria: All credit card 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: We recommend that all credit card receipts be retained and turned into accounting personnel for reconciliation back to the monthly credit card statements.

Management's Response: There is now only one credit card which is held by the CEO. All expenses require receipts and documentation for the purchase. Approval is required by the Secretary/Treasurer before the bill is paid.

2012-15 Significant Deficiency - Invoice Approval

Condition: We noted during our walkthrough of controls surrounding the disbursements process that an invoice examined included no evidence of review by an appropriate individual.

Criteria: It is the Council's policy that the CEO reviews and initials all invoices prior to payment.

Effect: The effect of this deficiency could lead to unauthorized disbursements.

Recommendation: We recommend that controls surrounding the disbursements process be strengthened, such as initials from the CEO on all invoices, to ensure that all disbursements have been approved.

Management's Response: The CEO is required now to initial all invoices before payment is disbursed. Along with approval from the CEO, all expenses are reviewed at the Council's monthly finance committee meetings.

WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2013

FINDINGS - FINANCIAL STATEMENT AUDIT (CONTINUED)

Prior Year Findings Implemented

Significant Deficiencies

2012-04 – Financial Statement Review
2012-05 – Capitalization Policy
2012-06 – Cash Reconciliation
2012-07 – Revenue Recognition
2012-08 – Approval of Minutes
2012-09 – Payroll Approval
2012-10 – Outstanding Checks
2012-11 – Expense Report Review
2012-14 – Bonus Payments/401(k) Contributions