



FINANCIAL STATEMENTS

2014

WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2014

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
TABLE OF CONTENTS**

	<u>Page Number</u>
INTRODUCTORY SECTION	
Roster of Board Members	i
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Balance Sheet - Governmental Fund	15
Reconciliation of Balance Sheet of the Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund	17
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Fund to the Statement of Activities	19
General Fund – Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	20
Notes to Financial Statements	22
INTERNAL CONTROL AND COMPLIANCE SECTION	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28
Schedule of Prior Fiscal Year Findings	30

INTRODUCTORY SECTION

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
ROSTER OF BOARD MEMBERS
For the Fiscal Year Ended June 30, 2014**

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

Members*

Dr. Jeff Banyas
Julia Bell
Warren Broyles
Tommy Burleson
Mitch Cox
Jeff Dykes
Dan Eldridge
Homer G'Fellers
Candace Jennings
Mark Kinser
Alan Levine
Greg Matherly
Logan McCabe
Dr. Brian Noland
Chuck Perry
Pete Peterson
Jim Powell
Jeremy Ross
Dr. Jon Smith
Rab Summers
Gerald Thomas
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, 2014, 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.

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, 2014, 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

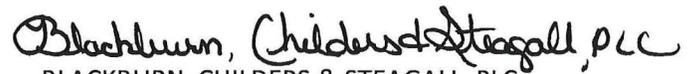
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-12 and 20-21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2014, 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, PLLC
Johnson City, Tennessee

November 12, 2014

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014**

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, 2014. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights

- The Council ended the fiscal year with \$822,736 in total net position.
- The year ended with an increase in net position of \$517,534 and excess of revenues over expenditures of \$421,001.
- One of the most substantial changes affecting revenue, net position, and fund balances, included the dissolution and transfer of the 1101 status from the Johnson City/Jonesborough/Washington County Economic Development Board (EDB) to the Council. As a result of the transfer, the Council received \$352,928 in donation/contributions and a parcel of land from the EDB. However, there was no debt transferred. A portion of these funds received, \$173,222, was restricted by the Economic Development Board for the purpose of industrial development. A portion, \$73,103, was allocated to the general fund, and the remainder, \$105,708, was assigned by the Council for land, grant matching, and/or infrastructure. Also received by the EDB was a piece of land.

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.

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014**

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.

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>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 771,887	\$ 425,013
Deposit on Leased Property	1,200	1,200
Property and Equipment, Net of Accumulated Depreciation	28,701	22,017
Land and Land Option	<u>126,000</u>	<u>37,000</u>
TOTAL ASSETS	<u>927,788</u>	<u>485,230</u>
LIABILITIES		
Accounts Payable	<u>21,718</u>	<u>12,608</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue - Unearned Memberships	<u>83,334</u>	<u>167,420</u>
NET POSITION		
Net Investment in Capital Assets	154,701	38,200
Restricted for the Economic Summit	29,679	-
Restricted for Industrial Development	173,222	-
Unrestricted	<u>465,134</u>	<u>267,002</u>
TOTAL NET POSITION	<u>\$ 822,736</u>	<u>\$ 305,202</u>

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014**

An increase in net position is an indicator that a business is improving. The net position increased \$517,534 from 2013 to 2014. In contrast, last fiscal year, 2013, compared to fiscal year 2012, the net position increased \$119,776.

The majority of the reason for such a substantial increase in net position resulted from the transfer of assets from the Economic Development Board (EDB) to the Council. Restricted funds in the amount of \$173,222 was restricted by the EDB for the purpose of Industrial Development.

However, unrestricted net assets, which can be used to finance day-to-day operations without constraints, increased 74 percent, \$198,132, from 2013 to 2014.

Net Position-Table 1B

	<u>2014</u>	<u>2013</u>
REVENUES		
Program Revenues		
Charges for Services	\$ 40,000	\$ -
Operating Grants/Contributions	667,283	833,268
Capital Grants/Contributions	429,928	-
TOTAL REVENUES	<u>1,137,211</u>	<u>833,268</u>
EXPENSES		
General Administrative	500,872	607,013
Downtown Development	2,285	-
Business Development	44,216	29,661
Existing Business Development	17,216	-
Economic Summit	7,190	37,679
Special Projects	47,898	39,137
TOTAL EXPENSES	<u>619,677</u>	<u>713,490</u>
Change in Net Position	517,534	119,778
Net Position, Beginning of Fiscal Year	<u>305,202</u>	<u>185,424</u>
Fund Balance, End of Fiscal Year	<u>\$ 822,736</u>	<u>\$ 305,202</u>

The following explains some of the most prevalent changes.

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014**

- Charges for Services is a new revenue account and became effective January 1, 2014. This revenue account only reflects half of a fiscal year; therefore, next year's revenue figure will increase.
- There was a 20 percent decrease in Operating Grant/Contributions revenue due to the decrease in public funding. The decrease in public funding is due to the municipalities sending separate funding to entities that the Council provides management services for, and it will be a permanent change moving forward.
- The Capital Grants/Contributions figure reflects the transfer of land and assets from the EDB during the fiscal year. This was a one-time contribution and will not be reflected in future year's revenues.
- Overall expenses for the Council decreased by 13 percent compared to last year, which was mostly due to an understaffed organization for the majority of the fiscal year. The Council is now fully staffed and moving forward the expenses will increase compared to this fiscal year.

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 Balance 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, 2014**

Table 2A – Balance Sheet Summary

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 771,887	\$ 425,862
Deposit on Leased Property	<u>1,200</u>	<u>1,200</u>
TOTAL ASSETS	<u><u>\$ 773,087</u></u>	<u><u>\$ 427,062</u></u>
LIABILITIES		
Accounts Payable	<u>\$ 21,718</u>	<u>\$ 12,608</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Revenue - Unearned Memberships	<u>83,334</u>	<u>167,420</u>
FUND BALANCES		
Restricted for the Economic Summit	29,679	-
Restricted for Industrial Development	173,222	-
Committed for the Farmer's Market	2,715	-
Assigned for Land, Grant Matching and Infrastructure	105,708	-
Unassigned	<u>356,711</u>	<u>247,034</u>
TOTAL FUND BALANCES	<u>668,035</u>	<u>247,034</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 773,087</u></u>	<u><u>\$ 427,062</u></u>

According to the Balance Sheet of the Fund Financial Statements, total assets increased 81 percent due to the transfer of assets from the EDB. Total liabilities at year end increased 72 percent. There was 50 percent less revenue deferred at the end of this fiscal year, \$83,334 compared to last year of \$167,420.

A portion of the contributions received by the EDB were restricted for industrial development and another portion was assigned for land, grant matching, and infrastructure.

The unassigned fund balance increased 44 percent from last year.

The difference between actual expenses for Downtown Development and budgeted was \$2,715, which was committed for the promotion of the Farmer's Market in downtown Johnson City by the Council.

Lastly, revenue in the amount of \$36,869 received by the City of Johnson City restricted for the purpose of the Annual Meeting/Economic Summit was not used within this 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, 2014**

Revenues from the General Fund, at the fund level, were \$1,060,211 compared to \$833,268 for the fiscal year that ended June 30, 2013. Expenditures in the General Fund for fiscal year 2013-2014 were \$639,210 compared to \$739,229 for the previous fiscal year, 2012-2013. 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>2014</u>	<u>2013</u>
REVENUES		
Operating Revenues	\$ 707,283	\$ 833,268
Capital Grants/Contributions	352,928	-
	<u>1,060,211</u>	<u>833,268</u>
EXPENDITURES		
General Administrative	508,405	632,752
Downtown Development	2,285	-
Business Development	44,216	29,661
Existing Business Development	17,216	-
Economic Summit	7,190	37,679
Special Projects	59,898	39,137
	<u>639,210</u>	<u>739,229</u>
Excess of Revenues Over Expenditures	421,001	94,039
Fund Balances, Beginning of Fiscal Year	<u>247,034</u>	<u>152,995</u>
Fund Balances, End of Fiscal Year	<u>\$ 668,035</u>	<u>\$ 247,034</u>

Revenues from the General Fund, at the fund level, increased 27 percent due to the contribution from the Economic Development Board consisting of cash assets in the amount of \$352,928.

Operating Revenues decreased 15 percent due to a decrease in public funding. Prior to fiscal year 2014, the Council received public funds for the Johnson City Development Authority and the Economic Development Board. In an effort to resolve the comingling of funds, the Council requested that the City of Johnson City fund these organizations separately. This change decreased the public funding in comparison to prior years.

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014**

Overall expenditures were 14 percent less this fiscal year compared to last; however, several categories were significantly different. There were several programs implemented in the fiscal year affecting existing businesses, downtown development, business development, and a few projects recorded under special projects; such as, feasibility studies and façade grants. These were all mostly new expenditure accounts that will be continued programs moving forward.

Salary expenses decreased 32 percent due to a lack of two full-time salary positions for several months. Moving forward for fiscal year 2015, there is a full staff consisting of five full-time salaried positions and a part-time temporary position that is through a staffing agency.

BUDGETARY HIGHLIGHTS

The original budget for fiscal year 2014 was approved at the end of fiscal year 2013, and it was revised twice. The first revision, Amendment #1, didn't change the original budget totals, but was done to provide more detail and reclassify the expenses into the proper categories based on actualized income and expenses and projected income and expenses.

Amendment #2 to the budget was necessary for the following reasons:

- The Johnson City/Jonesborough/Washington County Economic Development Board (EDB) dissolved and transferred their 1101 status and all of their assets to the Council in February 2014. During this transfer, the Council became a governmental entity. The revision included the actual contributions, in the amount of \$352,928, received from the EDB, which was not in the original budget.
- The public funding income received from the City of Johnson City and Washington County decreased due to them redirecting funds to other partner entities. The Council originally budgeted \$506,454 and the budget was revised to \$303,347.
- Pledge revenue was slightly higher due to a new member. The revised budget increased to \$220,839.
- A Management Agreement between the Johnson City Development Authority and the Council was established in January 2014. This created a new income account, Management Fee, and the Council received \$40,000 which matches the revised budget.
- Legal Fees were higher than expected due to the transfer of assets and certain unforeseen legal matters that required legal counsel. The budget for legal fees was \$7,613 and increased to \$19,445.
- The Council purchased approximately \$20,000 (includes labor) of new furniture for the conference room. This expense was originally recorded under "Uncategorized Expenses," but it was moved to account name, "Improvements/Repairs."
- The expenses for the JCDA and EDB were recorded under the Council's expenses; however, all expenses paid by the Council for these organizations were recorded as a receivable and payment to clear out those receivables were done before year end. The original budget included \$1,357 of EDB expenses and \$65,225 of JCDA expenses. These expenses were changed to "0" when the budget was amended.

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014**

- The Council had budgeted \$25,000 in Contingencies/Special Projects specifically for Façade Grants. However, only \$6,226 was paid out for Façade Grants. The amendment decreased the overall budget of this account from \$76,100 to \$60,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Council's investment in capital assets as of June 30, 2014 amounts to \$28,701, net of accumulated depreciation for office furniture and equipment. It also includes \$126,000 for Land and a Land Option. The Council has no debt.

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 2015.

- NN Inc., a local manufacturer of metal bearing and rubber components, announced in July 2014 that it will soon move its corporate headquarter to the SunTrust Bank building in Johnson City, TN. The move is part of the company's plan to double in size and triple its revenue. NN expects to create 150 to 200 new jobs in the expansion. These jobs are estimated to pump millions of dollars annually into the regional economy.
- JD Squared, Inc. is moving into the former Douglas Dynamic building on Johnson City's northeast side in fall 2014. This expansion will create between \$5 million to \$8 million in investment and approximately 80 new manufacturing jobs.
- The Council is now recognized as the economic development arm of the area under Tennessee's 1101 Statute. The transfer of the 1101 Designation to the Council was so significant because it unified all of our area's economic development efforts. The Council is made up of representatives of all the municipalities as well as several strategic partners from the private sector, resulting in more resources. This unified economic development approach has attracted other large metropolitan areas of Tennessee, and makes our area more attractive for economic development.

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014**

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, 2014

	Governmental Activities
ASSETS	
Cash	\$ 771,887
Deposit on Leased Property	1,200
Property and Equipment, Net of Accumulated Depreciation	28,701
Land and Land Option	126,000
TOTAL ASSETS	927,788
LIABILITIES	
Accounts Payable	21,718
DEFERRED INFLOWS OF RESOURCES	
Deferred Revenue - Unearned Memberships	83,334
NET POSITION	
Net Investment in Capital Assets	154,701
Restricted for the Economic Summit	29,679
Restricted for Industrial Development	173,222
Unrestricted	465,134
TOTAL NET POSITION	\$ 822,736

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, 2014

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
GOVERNMENTAL ACTIVITIES					
General Administrative	\$ 500,872	40,000	630,414	-	169,542
Downtown Development	2,285	-	-	-	(2,285)
Business Development	44,216	-	-	77,000	32,784
Existing Business Development	17,216	-	-	-	(17,216)
Economic Summit	7,190	-	36,869	-	29,679
Industrial Development	-	-	-	174,116	174,116
Special Projects	47,898	-	-	178,812	130,914
TOTAL GOVERNMENTAL ACTIVITIES	619,677	40,000	667,283	429,928	517,534
					Change in Net Position 517,534
					Net Position - Beginning 305,202
					Net Position - Ending \$ 822,736

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

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2014**

	General Fund
ASSETS	
Cash	\$ 771,887
Deposit on Leased Property	1,200
TOTAL ASSETS	\$ 773,087
 LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	\$ 21,718
 DEFERRED INFLOWS OF RESOURCES	
Deferred Revenue - Unearned Memberships	83,334
 FUND BALANCES	
Restricted for the Economic Summit	29,679
Restricted for Industrial Development	173,222
Committed for the Farmer's Market	2,715
Assigned for Land, Grant Matching and Infrastructure	105,708
Unassigned	356,711
TOTAL FUND BALANCES	668,035
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 \$ 773,087

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
For the Fiscal Year Ended June 30, 2014**

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

Total Fund Balances - Governmental Fund	\$ 668,035
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 \$197,452 and the accumulated depreciation is \$42,751.	<u>154,701</u>
Net Position of Governmental Activities	<u><u>\$ 822,736</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, 2014

	General Fund
REVENUES	
Intergovernmental Revenues	\$ 399,575
Memberships	220,839
Operating Contribution	10,000
Capital Contributions	352,928
Summit Sponsorships	36,869
Management Fee	40,000
TOTAL REVENUES	1,060,211
EXPENDITURES	
General Administrative	
Salaries	249,994
Payroll Taxes	20,195
Retirement	10,416
Employee Insurance	48,923
Insurance	4,606
Payroll Service Fees	755
Credit Card Fees	39
Printing	127
Transportation	1,024
Miscellaneous	2,106
Memberships, Dues and Subscriptions	10,976
Office Supplies	2,736
Postage	631
Other Supplies	779
Education and Conferences	6,540
Meals and Entertainment	1,158
Office Equipment and Furniture	27,567
Professional Services	47,077
Rent	41,700
Janitorial Services	1,688
Vehicle Expense	10,572
Communications	17,887
Meeting Expense	909
General Administrative	508,405
Downtown Development	2,285
Business Development	44,216
Existing Business Development	17,216
Economic Summit	7,190
Special Projects	59,898
TOTAL EXPENDITURES	639,210

(Continued)

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
For the Fiscal Year Ended June 30, 2014**

	General Fund
Excess of Revenues Over Expenditures	421,001
Fund Balances, Beginning of Fiscal Year	247,034
Fund Balances, End of Fiscal Year	<u>\$ 668,035</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, 2014**

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

Net Change in Fund Balance - Governmental Fund	\$ 421,001
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 outlays of \$32,000 exceeded depreciation of \$12,467 in the current period.	19,533
The effect of a donation involving a capital asset is to increase net position.	<u>77,000</u>
Change in Net Position of Governmental Activities	<u><u>\$ 517,534</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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
INTERGOVERNMENTAL REVENUES				
City of Johnson City	\$ 360,248	180,244	180,244	-
Washington County	146,206	123,103	123,103	-
Johnson City Power Board	82,228	82,228	82,228	-
Town of Jonesborough	7,000	14,000	14,000	-
TOTAL INTERGOVERNMENTAL REVENUES	595,682	399,575	399,575	0
CHARGES FOR SERVICES				
Management Fee	-	40,000	40,000	-
TOTAL CHARGES FOR SERVICES	0	40,000	40,000	-
OPERATING CONTRIBUTIONS				
Memberships	242,821	220,839	220,839	-
Economic Summit	19,772	36,869	36,869	-
Waste Management	-	10,000	10,000	-
TOTAL OPERATING CONTRIBUTIONS	262,593	267,708	267,708	0
CAPITAL CONTRIBUTIONS				
Economic Development Board	-	352,033	352,928	895
TOTAL CAPITAL CONTRIBUTIONS	0	352,033	352,928	895
TOTAL REVENUES	858,275	1,059,316	1,060,211	895
EXPENDITURES				
GENERAL ADMINISTRATIVE				
Salaries	270,000	274,650	249,994	24,656
Payroll Taxes	25,000	21,100	20,195	905
Retirement	-	10,450	10,416	34
Employee Insurance	73,170	49,450	48,923	527
Insurance	6,610	7,967	4,606	3,361
Payroll Service Fees	-	755	755	-
Credit Card Fees	-	-	39	(39)
Printing	400	500	127	373
Transportation	500	1,395	1,024	371
Miscellaneous	-	1,550	2,106	(556)
Memberships, Dues and Subscriptions	1,500	11,250	10,976	274
Office Supplies	3,380	3,100	2,736	364
Postage	400	600	631	(31)
Other Supplies	900	1,000	779	221
Education and Conferences	8,000	6,000	6,540	(540)
Meals	-	1,500	1,158	342
Office Equipment and Furniture	22,000	27,620	27,567	53

(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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
GENERAL ADMINISTRATIVE (CONTINUED)				
Professional Services	27,000	47,300	47,077	223
Rent	41,700	41,700	41,700	-
Janitorial Services	1,620	1,620	1,688	(68)
Vehicle Expense	15,000	11,272	10,572	700
Communications	17,500	18,100	17,887	213
Meeting Expense	5,000	1,000	909	91
TOTAL GENERAL ADMINISTRATIVE	<u>519,680</u>	<u>539,879</u>	<u>508,405</u>	<u>31,474</u>
DOWNTOWN DEVELOPMENT	5,000	3,500	2,285	1,215
BUSINESS DEVELOPMENT	69,000	45,900	44,216	1,684
EXISTING BUSINESS DEVELOPMENT	28,000	20,800	17,216	3,584
ECONOMIC SUMMIT	36,869	36,869	7,190	29,679
SPECIAL PROJECTS	<u>100,000</u>	<u>60,000</u>	<u>59,898</u>	<u>102</u>
TOTAL EXPENDITURES	<u>758,549</u>	<u>706,948</u>	<u>639,210</u>	<u>67,738</u>
Excess of Revenues Over Expenditures	99,726	352,368	421,001	68,633
Fund Balances, Beginning of Fiscal Year	<u>247,034</u>	<u>247,034</u>	<u>247,034</u>	<u>-</u>
Fund Balances, End of Fiscal Year	<u>\$ 346,760</u>	<u>599,402</u>	<u>668,035</u>	<u>68,633</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, 2014

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 Standard 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, 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, 2014**

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 Inflows of Resources and Net Position or Fund Balances

1. Deposits

Cash consists of deposits in a single checking 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, 2014, the carrying amount of the WCEDC's deposits was \$771,887. At June 30, 2014, \$550,027 was at risk as the funds were not listed as public until November 7, 2014.

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, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred 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 an item that does qualify for reporting in this category. Accordingly, the item is reported in the governmental-wide Statement of Net Position and the governmental fund Balance Sheet. These revenues are from memberships that relate to the next reporting period. These amounts are deferred and recognized as an inflow of resources in the period that the amounts are earned.

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:

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 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, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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

Budgets are to be adopted on a basis consistent with accounting principles generally accepted in the United States of America.

WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

NOTE 3 - DETAILED NOTES

A. Capital Assets

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustment</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated					
Land and Land Option	\$ 37,000	89,000	-	-	126,000
Capital Assets, Being Depreciated					
Furniture and Fixtures	51,451	20,001	-	-	71,452
Less: Accumulated Depreciation	(29,434)	(12,467)	-	(850)	(42,751)
Total Capital Assets, Being Depreciated, Net	<u>22,017</u>	<u>7,534</u>	<u>-</u>	<u>(850)</u>	<u>28,701</u>
Capital Assets, Net	<u>\$ 59,017</u>	<u>96,534</u>	<u>-</u>	<u>(850)</u>	<u>154,701</u>

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, 2014 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, 2014 amounted to \$41,700. Future lease payments are \$41,700 for both fiscal years 2015 and 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 \$10,416 for the fiscal year ended June 30, 2014.

WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

C. Income Taxes

The WCEDC did not have unrecognized tax liabilities as of June 30, 2014 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, 2014, the WCEDC has not accrued interest or penalties related to uncertain tax positions. The WCEDC's federal informational returns for tax years 2010 and beyond remain subject to examination by the Internal Revenue Service.

D. Subsequent Events

Subsequent events have been evaluated through November 12, 2014, which is the date that the WCEDC'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, 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, 2014, and the related notes to the financial statements, which collectively comprise the WCEDC's basic financial statements and have issued our report thereon dated November 12, 2014.

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.

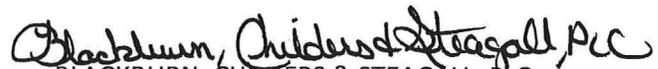
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in 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, P.C.
Johnson City, Tennessee

November 12, 2014

**WASHINGTON COUNTY ECONOMIC DEVELOPMENT COUNCIL
SCHEDULE OF PRIOR YEAR FINDINGS
For the Fiscal Year Ended June 30, 2014**

FINANCIAL STATEMENT FINDINGS

Prior Year Material Weaknesses – Corrected

2012-001 Expense Reports
2012-002 Comingling of Funds
2012-003 Payroll

Prior Year Significant Deficiencies – Corrected

2013-001 Support for Journal Entries
2012-013 Credit Cards
2012-015 Invoice Approval