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February 15, 2010

Board of Directors  
Noble County Economic  
Development Corporation  
110 S. Orange Street  
Albion, IN 46701

We have reviewed the audit report prepared by Baden, Gage & Schroeder, LLC, Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Noble County Economic Development Corporation, as of December 31, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

We call your attention to the finding in the report. The management letter contains one comment.

STATE BOARD OF ACCOUNTS

*Financial Statements*

**Noble County Economic  
Development Corporation**

December 31, 2007 and 2006

**NOBLE COUNTY ECONOMIC  
DEVELOPMENT CORPORATION**

Financial Statements  
December 31, 2007 and 2006

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### Independent Auditors' Report

Board of Directors  
Noble County Economic Development Corporation  
Albion, Indiana

We have audited the accompanying statements of assets, liabilities and net assets - cash basis of Noble County Economic Development Corporation as of December 31, 2007 and 2006, and the related statements of revenues, expenses, and changes in net assets - cash basis for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the Corporation prepares its financial statements on the basis of cash receipts and disbursements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets - cash basis of Noble County Economic Development Corporation as of December 31, 2007 and 2006, and its revenues, expenses, and changes in net assets - cash basis for the years then ended, on the basis of accounting described in Note 1.



**BADEN, GAGE & SCHROEDER, LLC**

Kendallville, Indiana  
September 24, 2008

**NOBLE COUNTY ECONOMIC  
DEVELOPMENT CORPORATION**

Statements of Assets, Liabilities and  
Net Assets - Cash Basis  
December 31, 2007 and 2006

	<b>2007</b>	<b>2006</b>
<b><u>ASSETS</u></b>		
<b>ASSETS</b>		
Cash and certificates of deposit	\$ 154,297	\$ 88,017
Deposits	100	100
Beneficial interest in assets held by Community Foundation	-	1,008
Property and equipment - net of accumulated depreciation	3,404	3,958
Cash restricted for long-term use	400,000	200,000
<b>TOTAL ASSETS</b>	<b>\$ 557,801</b>	<b>\$ 293,083</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES</b>		
Payroll tax withholdings	\$ 2,453	\$ 1,861
<b>NET ASSETS</b>		
Unrestricted	155,348	91,222
Temporarily restricted	400,000	200,000
Total Net Assets	555,348	291,222
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 557,801</b>	<b>\$ 293,083</b>

See Notes to Financial Statements.

**NOBLE COUNTY ECONOMIC  
DEVELOPMENT CORPORATION**

Statement of Revenues, Expenses and  
Changes in Net Assets - Cash Basis  
Year Ended December 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Government contributions	\$ 161,500	\$ 200,000	\$ 361,500
Public contributions	28,750	-	28,750
In-kind contributions	8,999	-	8,999
Interest Income	<u>14,679</u>	<u>-</u>	<u>14,679</u>
Total Revenue and Support	213,928	200,000	413,928
<b>EXPENSES</b>			
Program expenses	111,845	-	111,845
General and administrative	<u>37,957</u>	<u>-</u>	<u>37,957</u>
Total Expenses	<u>149,802</u>	<u>-</u>	<u>149,802</u>
<b>CHANGE IN NET ASSETS</b>	64,126	200,000	264,126
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>91,222</u>	<u>200,000</u>	<u>291,222</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 155,348</u>	<u>\$ 400,000</u>	<u>\$ 555,348</u>

See Notes to Financial Statements.

**NOBLE COUNTY ECONOMIC  
DEVELOPMENT CORPORATION**

Statement of Revenues, Expenses and  
Changes in Net Assets - Cash Basis  
Year Ended December 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Government contributions	\$ 171,000	\$ 200,000	\$ 371,000
Public contributions	6,600	-	6,600
In-kind contributions	7,000	-	7,000
Interest Income	<u>5,057</u>	<u>-</u>	<u>5,057</u>
Total Revenue and Support	189,657	200,000	389,657
<b>EXPENSES</b>			
Program expenses	80,571	-	80,571
General and administrative	<u>17,864</u>	<u>-</u>	<u>17,864</u>
Total Expenses	<u>98,435</u>	<u>-</u>	<u>98,435</u>
<b>CHANGE IN NET ASSETS</b>	91,222	200,000	291,222
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 91,222</u>	<u>\$ 200,000</u>	<u>\$ 291,222</u>

See Notes to Financial Statements.

**NOBLE COUNTY ECONOMIC  
DEVELOPMENT CORPORATION**

Statement of Functional Expenses  
Year Ended December 31, 2007

	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Total Functional Expenses</u>
Salaries and wages	\$ 60,384	\$ 19,838	\$ 80,222
Payroll taxes and benefits	7,338	2,280	9,618
Advertising (\$599 in-kind)	24,729	-	24,729
Automobile expense and mileage	3,203	801	4,004
Conferences and training	-	908	908
Depreciation	1,350	443	1,793
Dues and subscriptions	-	264	264
Insurance	870	286	1,156
Meals and entertainment	673	168	841
Postage and shipping	263	66	329
Printing and publications	-	213	213
Professional fees	-	8,382	8,382
Rent expense (in-kind)	6,325	2,075	8,400
Repairs and maintenance	291	96	387
Supplies	2,627	862	3,489
Telephone	1,506	462	1,968
Trash removal	172	56	228
Utilities	2,114	693	2,807
Miscellaneous	<u>-</u>	<u>64</u>	<u>64</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b><u>\$ 111,845</u></b>	<b><u>\$ 37,957</u></b>	<b><u>\$ 149,802</u></b>

**See Notes to Financial Statements.**

**NOBLE COUNTY ECONOMIC  
DEVELOPMENT CORPORATION**

Statement of Functional Expenses  
Year Ended December 31, 2006

	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Total Functional Expenses</u>
Salaries and wages	40,205	10,644	50,849
Payroll taxes and benefits	4,497	1,171	5,668
Advertising (\$2,000 in-kind)	22,814	-	22,814
Automobile expense and mileage	2,763	691	3,454
Bank service fees	-	47	47
Conferences and training	-	871	871
Depreciation	783	207	990
Dues and subscriptions	-	225	225
Insurance	703	186	889
Meals and entertainment	429	107	536
Postage and shipping	157	42	199
Professional fees	-	1,500	1,500
Rent expense (in-kind)	3,955	1,045	5,000
Supplies	2,908	769	3,677
Telephone	866	229	1,095
Trash removal	73	19	92
Utilities	418	111	529
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b><u>\$ 80,571</u></b>	<b><u>\$ 17,864</u></b>	<b><u>\$ 98,435</u></b>

**See Notes to Financial Statements.**

# NOBLE COUNTY ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements  
December 31, 2007 and 2006

## **Note 1. Summary of Significant Accounting Policies**

### Nature of Business:

Noble County Economic Development Corporation (the Corporation) is a not-for-profit organization formed to aid communities in Noble County in attracting new industry, assist existing industry in expansion - all for the purpose of creating jobs for the citizens of Noble County. This corporation was formed to address a decrease in the availability of jobs in the area; create new jobs and foster cooperation among communities in the county to reach that goal. Significant revenue is provided by a local government grant of \$200,000 per year for four years restricted for use on current projects. The Corporation commenced operations on January 1, 2006.

### Method of Accounting:

The Corporation prepares its financial statements on the cash basis. Under this basis, receipts are recognized when collected rather than when earned, and expenditures are recognized when paid rather than when incurred.

Contributions are generally available for unrestricted use in the year received unless specifically restricted by the donor. Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, donor restricted support whose restrictions are met in the same reporting period in which the support is received is reported as unrestricted support.

### Functional Allocation of Expenses:

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### Use of Estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Property and Equipment:

Property and equipment is stated at cost if purchased and at fair value if contributed, and expenditures for improvements, if material, are generally capitalized. Normal repairs and maintenance are expensed. The cost of assets retired, or otherwise disposed of, and the related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is reflected in the statement of activities.

**NOBLE COUNTY ECONOMIC  
DEVELOPMENT CORPORATION**

Notes to Financial Statements (Continued)  
December 31, 2007 and 2006

**Note 1. Summary of Significant Accounting Policies (Continued)**

Property and Equipment (Continued):

Depreciation is computed on the straight-line method over the estimated useful lives of the individual assets. Depreciation on property and equipment amounted to \$1,793 in 2007 and \$990 in 2006.

Advertising Costs:

Advertising costs are charged to operations when incurred and are included in total expenses. The amount charged for advertising expenses was \$24,729 and \$22,814 in 2007 and 2006, respectively, of which \$19,424 in each year is membership in the Northeast Indiana Regional Partnership. The Partnership is an eleven-county team that promotes Noble County regionally, nationally and globally.

Income Taxes:

The Organization is exempt from income taxes under the provisions of Section 501(c)(6) of the Internal Revenue Code.

Concentration of Credit Risk:

The Corporation maintains cash balances in one financial institution. The FDIC insures the balance of up to \$100,000. Account balances may exceed the limit from time to time.

Reclassifications:

Certain prior year amounts have been reclassified to conform to the current year's presentation.

**Note 2. Beneficial Interest in Assets Held by Noble County Community Foundation, Inc.**

In 2006, Noble County Community Foundation received a donation of \$1,000 that was donor directed to be used by the Corporation for unrestricted purposes. The balance at December 31, 2007 and 2006 was \$0 and \$1,008, respectively, including interest earned.

The Foundation also has \$12,130 (\$10,088 in 2006) invested for the benefit of the Corporation; however, the Foundation's board of directors has variance power. Variance power means the board has the power to change a restriction or condition on the distribution of funds for a specified charitable purpose or organization if the restriction or condition becomes unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community. Therefore, these assets are not recorded on the statement of assets, liabilities and net assets - cash basis.

**NOBLE COUNTY ECONOMIC  
DEVELOPMENT CORPORATION**

Notes to Financial Statements (Continued)  
December 31, 2007 and 2006

**Note 3. Property and Equipment**

A summary of the major classes of property and equipment along with the related accumulated depreciation is presented below:

	<b>Estimated Useful Life</b>	<b>2007</b>	<b>2006</b>
Office equipment	5 - 7 years	\$ 6,187	\$ 4,948
Accumulated depreciation		(2,783)	(990)
		\$ 3,404	\$ 3,958

**Note 4. Temporarily Restricted Net Assets**

The Corporation has contributions designated for the purpose of specified projects which have completion dates expected beginning the fall of 2008. These contributions have been classified as temporarily restricted net assets. For the years ended December 31, 2007 and 2006, the balance of cash restricted for use by these economic development projects was \$400,000 and \$200,000, respectively.

**Note 5. Building Lease**

The Corporation receives the use of office space for its main facilities through an in-kind contribution. The original lease agreement was for the period July 19, 2006 to July 19, 2007. The agreement was later revised January 23, 2007 to include additional office space and extends until July 19, 2009. The donor has valued the contribution for use of the building at \$500 per month for 2006, increased to \$700 per month in 2007 with the additional office space. The Corporation pays the cost of all utilities and repairs and maintenance for the building. Subsequent to year end, the lease was extended through July 2012.



Certified Public Accountants • Business Consultants

Board of Directors  
Noble County Economic Development Corporation  
Albion, Indiana

In planning and performing our audit of the financial statements of Noble County Economic Development Corporation as of and for the year ended December 31, 2007, in accordance with the cash basis of accounting, we considered Noble County Economic Development Corporation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal controls and other operational matters that are presented for your consideration. This letter does not affect our report dated September 24, 2008 on the financial statements of Noble County Economic Development Corporation.

We will review the status of this comments during our next audit engagement. Our comment and recommendation has been discussed with appropriate members of management and are intended to improve the internal control.

Our comment is summarized as follows:

#### **Review of Bank Statements**

During the audit process, it was noted that the administrative assistant prepares and mails checks and also prepares the bank reconciliation. We suggest that bank statements (or a duplicate mailed by the bank) be received and opened by a member of the board. The bank activity and cancelled checks would then be reviewed for any strange or unusual activity and any items of concern be investigated timely. Documentation of the board member's review should be made on the face of the bank statement. We feel that this suggestion will further enhance the checks and balances necessary for strong controls over cash.

We believe that the implementation of this recommendation will provide Noble County Economic Development Corporation with a stronger system of internal accounting control. We will be pleased to discuss the comment in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendation.

This communication is intended solely for the information and use of management, Board of Directors, and others within the Corporation and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads 'Baden, Gage &amp; Schroeder, LLC'.

**BADEN, GAGE & SCHROEDER, LLC**

Fort Wayne, Indiana  
September 24, 2008