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January 13, 2011

Board of Directors
Starke County Development
Foundation, Inc.
4 North Main St.
P.O. Box 53
Knox, IN 46534

We have reviewed the audit report prepared by Swartz, Retson & Co., PC, Independent Public Accountants, for the period July 1, 2008 to June 30, 2009. 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 Starke County Development Foundation, Inc., as of June 30, 2009, 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.

STATE BOARD OF ACCOUNTS

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

STARKE COUNTY
DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY

JUNE 30, 2009 AND 2008

SWARTZ, RETSON & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
235 E. 86TH AVENUE
MERRILLVILLE, INDIANA 46410

STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Starke County Development Foundation, Inc.
and its Related Entity
4 N. Main Street
Knox, IN 46534

We have audited the accompanying consolidated statements of financial position of Starke County Development Foundation, Inc. and its related entity (Starke County Initiative for Lifelong Learning, Inc.) as of June 30, 2009 and 2008, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We 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 consolidated 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Starke County Development Foundation, Inc. and its related entity as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental fair value information presented on pages 17-24 is presented for purposes of additional analysis and not as a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Merrillville, IN
October 5, 2009

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

**CONSOLIDATED BALANCE SHEETS
JUNE 30, 2009 AND 2008**

A S S E T S

	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 760,117	\$ 684,100
Investments	799,217	710,749
Accounts Receivable	1,313	33,404
Contracts Receivable	00	137,490
Mortgages Receivable - Current Portion	5,722	5,429
Prepaid Expenses	<u>2,594</u>	<u>3,052</u>
Total Current Assets	<u>1,568,963</u>	<u>1,574,224</u>
 PROPERTY AND EQUIPMENT		
Land	169,729	169,729
Buildings	4,143,498	4,143,498
Equipment	<u>623,253</u>	<u>623,253</u>
	4,936,480	4,936,480
Less: Accumulated Depreciation	<u>1,205,657</u>	<u>1,072,365</u>
Total Property and Equipment - Net	<u>3,730,823</u>	<u>3,864,115</u>
 OTHER ASSETS		
Mortgages Receivable	171,014	176,272
Equipment Deposits	14,600	3,000
Loan Fees - Net	<u>11,928</u>	<u>14,972</u>
Total Other Assets	<u>197,542</u>	<u>194,244</u>
 TOTAL ASSETS	 <u>\$5,497,328</u>	 <u>\$5,632,583</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion Long-Term Debt	\$ 214,142	\$ 224,896
Accounts Payable	55,058	7,305
Accrued Expenses	32,192	22,438
Deferred Revenue	<u>00</u>	<u>71,654</u>
Total Current Liabilities	301,392	326,293
 LONG TERM LIABILITIES		
Long-Term Debt, Net of Current Portion	<u>2,025,842</u>	<u>2,239,164</u>
 TOTAL LIABILITIES	 <u>2,327,234</u>	 <u>2,565,457</u>
 NET ASSETS		
Unrestricted	<u>3,170,094</u>	<u>3,067,126</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$5,497,328</u>	 <u>\$5,632,583</u>

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

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

**CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
REVENUES, GAINS AND OTHER SUPPORT		
Government Awards		
Consulting Contracts	\$ 284,888	\$ 272,698
Grant Income	224,000	274,300
Cash Contributions	00	23,249
Non-Cash Contributions	00	28,830
Building Rent	370,370	370,370
Repair Proceeds from Auto Tech Program	11,248	4,575
Class Fees and Books	4,534	6,434
Gain on Disposal of Asset	00	5,000
Interest	34,332	64,494
Miscellaneous	<u>11,734</u>	<u>58,020</u>
Total Revenues, Gains and Other Support	<u>941,106</u>	<u>1,107,970</u>
EXPENSES		
Local Economic Development	248,080	197,928
Rental Buildings	266,284	263,860
Education Program	242,608	264,426
Administration	<u>81,166</u>	<u>50,134</u>
Total Expenses	<u>838,138</u>	<u>776,348</u>
INCREASE IN NET ASSETS	102,968	331,622
NET ASSETS - Beginning of Year	<u>3,067,126</u>	<u>2,735,504</u>
NET ASSETS - End of Year	<u>\$3,170,094</u>	<u>\$3,067,126</u>

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

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$102,968	\$ 331,622
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	133,293	123,767
Non-Cash Expenditures	00	28,830
Non-Cash Contributions	00	(28,830)
(Gain) on Sale of Assets	00	(5,000)
(Increase) Decrease in:		
Accounts Receivable	32,092	6,458
Contracts Receivable	137,490	(16,538)
Prepaid Expenses	458	254
Inventory	00	584
Equipment Deposit	(11,600)	(3,000)
Increase (Decrease) in:		
Accounts Payable	47,751	(16,186)
Accrued Expenses	9,755	(4,412)
Deferred Revenue	<u>(71,654)</u>	<u>(53,346)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>380,553</u>	<u>364,203</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(88,469)	(610,749)
Receipt (Issuance) of Mortgage Notes Receivable	4,965	205,338
Purchase of Property and Equipment	00	(1,344,665)
Proceeds from Sale of Property and Equipment	00	5,000
Construction in Progress	00	1,168,042
Decrease in Prepaid Loan Fees	<u>3,044</u>	<u>3,044</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(80,460)</u>	<u>(573,990)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Liabilities	(224,076)	(227,564)
Borrowing of Long-Term Debt	<u>00</u>	<u>107,493</u>
NET CASH (USED) BY FINANCING ACTIVITIES	<u>(224,076)</u>	<u>(120,071)</u>
 NET INCREASE (DECREASE) IN CASH	76,017	(329,858)
 CASH AND CASH EQUIVALENTS - Beginning of Year	<u>684,100</u>	<u>1,013,958</u>
 CASH AND CASH EQUIVALENTS - End of Year	<u>\$760,117</u>	<u>\$ 684,100</u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
CASH PAID DURING THE YEAR FOR:		
Interest	<u>\$138,839</u>	<u>\$ 151,399</u>
 SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING TRANSACTION		
Acquisition of Donated Equipment	<u>\$ 00</u>	<u>\$ 24,275</u>

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

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>Economic Development</u>	<u>Rental Buildings</u>	<u>Education</u>	<u>Program Total</u>	<u>Admini- stration</u>	<u>Total</u>
FUNCTIONAL EXPENSES						
Director Wages	\$ 63,870	\$ 8,709	\$ 20,398	\$ 92,977	\$ 8,695	\$101,672
Staff Wages	39,411	5,374	9,958	54,743	5,612	60,355
Contracted Services	00	00	89,186	89,186	00	89,186
Planning Consultant	9,548	00	00	9,548	1,061	10,609
Benefits	11,239	1,532	35,611	48,382	3,293	51,675
Payroll Tax Expense	9,292	1,267	00	10,559	1,173	11,732
Telephone and Internet	5,340	660	3,823	9,823	766	10,589
Utilities	3,321	38	11,482	14,841	1,019	15,860
Repairs and Maintenance	4,472	610	11,481	16,563	733	17,296
Office Supplies	5,690	776	1,134	7,600	859	8,459
Class Books and Supplies	00	00	2,259	2,259	00	2,259
Postage	863	118	390	1,371	130	1,501
Advertising and Promotion	9,648	1,316	20	10,984	1,218	12,202
Entertainment and Meetings	4,218	575	00	4,793	533	5,326
Educational Management Fee	00	00	10,200	10,200	00	10,200
Conferences and Education	2,410	329	00	2,739	304	3,043
Legal and Accounting	34,819	4,748	00	39,567	10,164	49,731
Dues and Subscriptions	3,553	484	00	4,037	449	4,486
Travel	6,241	851	647	7,739	829	8,568
Cost of Sales Auto Tech Program	00	00	11,093	11,093	00	11,093
Computer Repairs and Supplies	00	00	931	931	59	990
Shop Supplies	00	00	1,203	1,203	00	1,203
Bad Debt Expense	00	00	202	202	13	215
Insurance	8,455	1,153	3,345	12,953	1,244	14,197
Depreciation	00	98,905	22,697	121,602	11,691	133,293
Interest Expense	00	138,839	00	138,839	00	138,839
Training	00	00	65	65	00	65
Web Site Development	10,426	00	00	10,426	1,158	11,584
Entrepreneur	15,264	00	00	15,264	1,696	16,960
Miscellaneous	<u>00</u>	<u>00</u>	<u>6,483</u>	<u>6,483</u>	<u>28,467</u>	<u>34,950</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$248,080</u>	<u>\$266,284</u>	<u>\$242,608</u>	<u>\$756,972</u>	<u>\$ 81,166</u>	<u>\$838,138</u>

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

STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Economic Development</u>	<u>Rental Buildings</u>	<u>Education</u>	<u>Program Total</u>	<u>Admini- stration</u>	<u>Total</u>
FUNCTIONAL EXPENSES						
Director Wages	\$ 51,513	\$ 7,025	\$ 34,969	\$ 93,507	\$ 7,585	\$101,092
Staff Wages	24,256	3,308	11,513	39,077	3,798	42,875
Contracted Services	00	00	86,588	86,588	00	86,588
Planning Consultant	5,403	00	00	5,403	600	6,003
Benefits	10,125	1,381	39,459	50,965	3,355	54,320
Payroll Tax Expense	8,028	1,095	00	9,123	1,014	10,137
Telephone and Internet	4,873	602	3,588	9,063	189	9,252
Utilities	3,309	38	10,646	13,993	974	14,967
Repairs and Maintenance	3,232	441	4,778	8,451	713	9,164
Office Supplies	7,164	977	3,908	12,049	1,212	13,261
Class Books and Supplies	00	00	1,297	1,297	00	1,297
Postage	737	101	432	1,270	115	1,385
Advertising and Promotion	10,343	1,410	1,102	12,855	1,306	14,161
Entertainment and Meetings	3,493	476	00	3,969	441	4,410
Educational Management Fee	00	00	10,200	10,200	00	10,200
Conferences and Education	2,155	294	00	2,449	272	2,721
Board Meeting	00	00	00	00	3,740	3,740
Legal and Accounting	16,475	2,247	00	18,722	6,086	24,808
Dues and Subscriptions	804	110	00	914	101	1,015
Travel	5,628	768	291	6,687	730	7,417
Cost of Sales Auto Tech Program	00	00	5,307	5,307	00	5,307
Computer Repairs and Supplies	00	00	2,265	2,265	145	2,410
Shop Supplies	00	00	13,374	13,374	00	13,374
Bad Debt Expense	00	00	501	501	32	533
Insurance	8,666	1,181	4,849	14,696	1,349	16,045
Depreciation	00	91,007	21,970	112,977	10,791	123,768
Interest Expense	00	151,399	00	151,399	00	151,399
Website Development	634	00	00	634	70	704
Entrepreneur	31,090	00	00	31,090	3,454	34,544
Miscellaneous	00	00	7,389	7,389	2,062	9,451
TOTAL FUNCTIONAL EXPENSES	<u>\$197,928</u>	<u>\$263,860</u>	<u>\$264,426</u>	<u>\$726,214</u>	<u>\$ 50,134</u>	<u>\$776,348</u>

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

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying financial statements reflect the consolidated financial statements of Starke County Development Foundation, Inc. (the Foundation) and Starke County Initiative for Lifelong Learning, Inc. (SCILL). The by-laws for SCILL contain many items that indicate the Foundation has a controlling financial interest in SCILL. Among them:

- The only Member of SCILL is the Foundation.
- The business, property, and affairs of SCILL will be managed and controlled by the board of directors in accordance with policies established by the Member (the Foundation).
- Approval of the Member (the Foundation) is required for amending the by-laws, approving merger or reorganization, approving capital and operating budgets, and approving acquisition, sale, or lease of any property of SCILL.
- Directors of SCILL shall be appointed by the Member (the Foundation).
- The Foundation shall serve as the treasurer of SCILL.

Because the Foundation has a controlling financial interest in SCILL, and they are related through membership and common directors, they are considered interrelated and must present consolidated financial statements.

Nature of Activities

The Foundation is a not-for-profit organization exempt from income tax under Section 501(c)(6) of the U.S. Internal Revenue Code. The Foundation was formed in 1985 to assist in the creation, retention, and reinvestment of resources in Starke County, which increases the number of opportunities for its citizens and improves their quality of life. The Foundation meets the definition of a local economic development organization as defined under Indiana Code 4-4-24. The main sources of revenue for the Foundation consist of rents from industrial buildings and economic development funds from Starke County and its cities.

SCILL is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. SCILL was formed in 1997 to develop a program to upgrade the work skills of Starke County workers for the direct benefit of the workers to improve their standard of living and for the indirect benefit of all Starke County residents by providing a knowledgeable workforce to attract and keep employers in Starke County. SCILL provides classes in specific technologies, such as computer knowledge and repair and automotive repair. The educational program is managed by Ancilla College. The main sources of revenue for SCILL consist of County Economic Development Income Tax (CEDIT) funds and collection of fees for classes and books.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Basis of Presentation

The Foundation has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization 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. Contributions whose restrictions are met in the same period as the recognition of the contribution are considered unrestricted for reporting purposes.

STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Cash Equivalents

Cash, as presented on the accompanying balance sheets and statements of cash flows, includes cash on hand and deposits in interest bearing and non-interest bearing accounts in financial institutions. Cash equivalents consist of highly liquid accounts with original maturities of 90 days or less. Certificates of deposit and other securities with original maturities over 90 days are classified as short-term investments and stated at cost, which approximates market value.

Investments

Investments consist of certificates of deposit with a maturity date greater than 90 days and are carried at cost.

Accounts Receivable

The Foundation maintains an allowance for doubtful accounts carried at an amount which bad accounts are reasonably expected not to exceed. Receivables are considered past due when payment is not received within the period allowed under terms of the sales. Periodically, the Foundation's management reviews past due receivables and allows for all accounts deemed uncollectible after all reasonable collection efforts have been exhausted. The allowance for doubtful accounts balance was \$0 and \$0 for the years ended June 30, 2009 and 2008, respectively.

Financial Instruments and Credit Risk

The Foundation is a non-profit company operating primarily in Northwest Indiana. As such, the Foundation's accounts receivable are generated within the same geographic region. The receivables are unsecured, as is common industry practice.

At June 30, 2009, the Foundation has \$289,670 in financial institutions in excess of the Federal Deposit Insurance Corporations' (FDIC) insured level of \$250,000. The amount of potential exposure is computed based on the bank's statement balance at June 30, 2009, and is not adjusted for the outstanding checks and other in-transit items reflected in the Foundation's records.

Property and Equipment

Property, equipment and improvements are carried at cost. Depreciation and amortization expense is computed using straight-line and accelerated methods over the estimated useful life of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss resulting from the transactions is recognized as income for the period. The cost of repairs and maintenance is charged to income as incurred; significant renewals and betterments are capitalized. The depreciation expense for the years ended June 30, 2009 and 2008 was \$133,293 and \$123,768, respectively.

Third-Party Disbursement

Certain revenues are obtained under government programs. Amounts claimed are credited to income; however, final determination may vary because of the regulations pertaining to reimbursement. Differences in estimated amounts and actual settlements are reflected as charges and credits upon settlement or payment.

STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Use of Estimates

The financial statements include estimates and assumptions made by management that affect the carrying amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results may differ from those estimates.

Donated Material and Services

The Foundation records the value of donated goods or services when there is an objective basis available to measure their value. Donated materials are reflected in the accompanying statements at their estimated values at date of receipt. No amounts have been reflected in the financial statements for donated services. The Foundation pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific assistance programs and various committee assignments.

Amortization of Loan Fees

The Foundation has incurred loan fees in order to obtain notes payable. The fees are being amortized over the life of the notes payable. The amortization expense for the years ended June 30, 2009 and 2008 was \$3,044 and \$3,044, respectively.

Advertising

Advertising costs are included in operating expenses and are expensed as incurred. Advertising expense was \$12,202 and \$14,161 for the years ended June 30, 2009 and 2008, respectively.

Reclassification

Certain reclassifications have been made to the June 30, 2008 financial statements in order for them to better compare to the June 30, 2009 financial statements.

Uncertainty in Income Taxes

The Foundation has elected to defer implementation of *Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes"* as is allowed under the current standards. Management will evaluate the options available to them and assess the effects of implementation of Interpretation No. 48 when a definitive implementation date is established.

Adoption of New Accounting Standard (39)

In 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, provides enhanced guidance for using fair value to measure assets and liabilities under current U.S. GAAP standards and expands the disclosure of the methods used and the effect of fair value measurements on earnings. This Standard is effective for financial statements issued for fiscal years beginning after November 15, 2007. Accordingly, the Foundation adopted applicable portions of this standard for the year ended June 30, 2009. Additional disclosure is provided in Note 4.

NOTE 2 - CONCENTRATION OF REVENUE

During the year ended June 30, 2009, 54% of the Foundation's revenues consisted of economic development funds from Starke County and its cities. No determination has been made as to the effect on the financial statements should these sources cease funding Starke County Development Foundation, Inc. and its Related Entity.

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2009 and 2008 are summarized as follows:

<u>2009</u>	<u>Foundation</u>	<u>SCILL</u>	<u>Consolidated</u>
Land	\$ 169,729	\$ 00	\$ 169,729
Buildings	4,143,498	00	4,143,498
Furniture and Equipment	<u>45,819</u>	<u>577,434</u>	<u>623,253</u>
	4,359,046	577,434	4,936,480
Accumulated Depreciation	<u>705,177</u>	<u>500,480</u>	<u>1,205,657</u>
Total Property and Equipment	<u>\$3,653,869</u>	<u>\$ 76,954</u>	<u>\$3,730,823</u>
<u>2008</u>	<u>Foundation</u>	<u>SCILL</u>	<u>Consolidated</u>
Land	\$ 169,729	\$ 00	\$ 169,729
Buildings	4,112,907	30,591	4,143,498
Furniture and Equipment	<u>45,819</u>	<u>577,434</u>	<u>623,253</u>
	4,328,455	608,025	4,936,480
Accumulated Depreciation	<u>591,269</u>	<u>481,096</u>	<u>1,072,365</u>
Total Property and Equipment	<u>\$3,737,186</u>	<u>\$126,929</u>	<u>\$3,864,115</u>

Included in the Buildings category are buildings either currently rented or available to rent with a cost of \$3,898,139. Included in the Accumulated Depreciation category is \$513,879 relating to buildings currently rented or available for rent. Included in Furniture and Equipment is non-depreciable artwork that cost \$15,000.

NOTE 4 - INVESTMENTS

Investment balances are stated at fair value. Total investments consist of the following at June 30, 2009 and 2008:

<u>2009</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation</u>
Certificates of Deposit	<u>\$799,217</u>	<u>\$799,217</u>	<u>\$ 00</u>
<u>2008</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation</u>
Certificates of Deposit	<u>\$710,749</u>	<u>\$710,749</u>	<u>\$ 00</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Interest/Dividends -- Unrestricted	<u>\$ 34,332</u>	<u>\$ 64,494</u>

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 4 - INVESTMENTS CONTINUED

Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* (SFAS No. 157) defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Companies principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Statement 157 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Total investments at fair value at June 30, 2009	<u>\$799,217</u>	<u>\$ 00</u>	<u>\$ 00</u>

NOTE 5 - LONG-TERM LIABILITIES

Long-term liabilities consist of the following at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Mortgage payable to First Source Bank, 5.00% interest, monthly installments of \$5,300, due April 2012, secured by real estate rented to industry. Additional payments on principal have been made and management expects the loan to be paid off in January 2010	\$ 39,596	\$ 99,555
Mortgage payable to First Source Bank, 5.50% interest, monthly installments of \$6,243, due April 2012, secured by real estate	376,133	428,518
Mortgage payable to First Source Bank, 6.10% interest, monthly installments of \$7,755 principal and interest, due December 2010, secured by real estate	681,430	730,721

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 5 - LONG-TERM LIABILITIES CONTINUED

	<u>2009</u>	<u>2008</u>
Construction loan payable to First Source Bank, 5.60% interest, monthly installments of \$10,691 principal and interest, due August 2022, secured by real estate	\$1,142,825	\$1,205,266
Total Long-Term Liabilities	2,239,984	2,464,060
Less: Current Portion	<u>214,142</u>	<u>224,896</u>
Long-Term Liabilities - Net	<u>\$2,025,842</u>	<u>\$2,239,164</u>

Maturities of the long-term liabilities during the next five years are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2010	\$ 214,142
June 30, 2011	\$ 756,990
June 30, 2012	\$ 335,534
June 30, 2013	\$ 78,011
June 30, 2014 and thereafter	\$ 855,307

NOTE 6 - LEASES

The Foundation currently leases a building in the Hamlet Industrial Park under a ten-year operating lease for \$23,109 per month ending in July 2017. Rental income from this property was \$277,310 and \$277,310 for fiscal years ended June 30, 2009 and 2008, respectively.

The Knox Fertilizer Building was leased for \$8,545 per month under a ten-year operating lease which began October 2005. Of the monthly payment, \$790 is treated as interest income for a 2% return on interest for both the Foundation and the City of Knox. Each month \$395 is paid to the City of Knox. Rental income for this property was \$93,060 and \$93,060 for the years ending June 30, 2009 and 2008, respectively.

The following is a schedule by years of future minimum rentals under leases in existence at June 30, 2009, without extension options:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2010	\$ 370,370
June 30, 2011	370,370
June 30, 2012	370,370
June 30, 2013	370,370
June 30, 2014 and thereafter	<u>1,427,196</u>
Total	<u>\$2,908,676</u>

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

NOTE 7 - RETIREMENT PLAN

The Foundation adopted a Simple IRA retirement plan covering eligible employees effective January 1, 2001. This plan provides for the contribution of 3% of employee compensation by the Foundation as well as elective employee deferrals, and replaces a deferred compensation plan previously maintained by the Foundation for key employees. Employer contributions to the plan were \$3,588 and \$2,851 for the years ended June 30, 2009 and 2008, respectively.

NOTE 8 - SCILL CENTER PROGRAM

The Foundation has contracted with Ancilla College to manage and staff the Starke County Initiative for Lifelong Learning (SCILL) Center. This is a perpetual contract that began in 1996. The SCILL Center pays the cost of the employees and pays Ancilla a monthly fee of \$850. Management plans to continue this contract for at least one year. The SCILL Center is located in the Foundation's Building #2 and is an educational facility. The Center is training local people to meet the needs of local companies. The SCILL Center is meant to insure a viable, ever-improving workforce now and in the future.

The Foundation has provided the building to the SCILL Center free of rent and shares in the costs to run the Center with Starke County. The building is carried in property and equipment at \$190,580 and \$190,580 for the years ended June 30, 2009 and 2008, respectively, plus \$9,094 landscaping, and has accumulated depreciation totaling \$131,481 and \$124,081 for the years ending June 30, 2009 and 2008, respectively.

Although no rent is charged to SCILL for use of the building and no rent is shown in the consolidated financial statements, non-cash rent expense of \$36,000 (considered fair market value by management) has been included in the supplementary statements as follows:

<u>Foundation</u>	<u>2009</u>	<u>2008</u>
Rent Income	\$ 36,000	\$ 36,000
Contribution Expense	\$ 36,000	\$ 36,000
<u>SCILL</u>		
Rent Expense	\$ 36,000	\$ 36,000
Contribution Income	\$ 36,000	\$ 36,000

NOTE 9 - CONTINGENCY

Certain tracts of acreage in various industrial parks were purchased by Starke County to be held in trust for Starke County Development Foundation (SCDF). As SCDF sells such acreage for industrial development, it must pay the County the sales proceeds to release portions of the acreage by quitclaim deed.

SUPPLEMENTARY INFORMATION

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

**SCHEDULES OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
FOR FOUNDATION ONLY**

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 560,271	\$ 483,826
Investments	799,217	710,749
Accounts Receivable -- Other	00	33,260
Contracts Receivable	00	137,490
Mortgages Receivable -- Current Portion	5,722	5,429
Prepaid Expenses	<u>2,260</u>	<u>2,734</u>
Total Current Assets	<u>1,367,470</u>	<u>1,373,488</u>
 PROPERTY AND EQUIPMENT		
Land	169,729	169,729
Buildings	4,143,498	4,112,907
Equipment	<u>45,819</u>	<u>45,819</u>
	4,359,046	4,328,455
Less: Accumulated Depreciation	<u>705,177</u>	<u>591,269</u>
Total Property and Equipment -- Net	<u>3,653,869</u>	<u>3,737,186</u>
 OTHER ASSETS		
Mortgages Receivable	171,014	176,272
Equipment Deposit	14,600	3,000
Prepaid Loan Fees	<u>11,928</u>	<u>14,972</u>
Total Other Assets	<u>197,542</u>	<u>194,244</u>
 TOTAL ASSETS	 <u>\$5,218,881</u>	 <u>\$5,304,918</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion Long-Term Debt	\$ 214,142	\$ 224,896
Accounts Payable	39,994	5,095
Unearned Revenue	00	31,654
Accrued Expenses	<u>32,179</u>	<u>22,404</u>
Total Current Liabilities	286,315	284,049
 LONG-TERM DEBT		
Long-Term Debt -- Net of Current Portion	<u>2,025,842</u>	<u>2,239,164</u>
 TOTAL LIABILITIES	 2,312,157	 2,523,213
 NET ASSETS		
Unrestricted	<u>2,906,724</u>	<u>2,781,705</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$5,218,881</u>	 <u>\$5,304,918</u>

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

**SCHEDULES OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
FOR FOUNDATION ONLY**

	<u>2009</u>	<u>2008</u>
REVENUES, GAINS, AND OTHER SUPPORT		
Government Awards		
Consulting Contracts	\$ 284,888	\$ 272,698
Grants	00	54,800
Building Rent	406,370	406,370
Interest	31,904	63,458
Other Revenues	<u>5,218</u>	<u>50,060</u>
Total Revenues, Gains, and Other Support	<u>728,380</u>	<u>847,386</u>
 EXPENSES		
Local Economic Development	267,843	265,527
Rental Buildings	266,284	263,860
Administrative	<u>69,234</u>	<u>39,351</u>
Total Expenses	<u>603,361</u>	<u>568,738</u>
 INCREASE IN NET ASSETS	 125,019	 278,648
 NET ASSETS - Beginning of Year	 <u>2,781,705</u>	 <u>2,503,057</u>
 NET ASSETS - End of Year	 <u>\$2,906,724</u>	 <u>\$2,781,705</u>

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

**SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009
FOR FOUNDATION ONLY**

	<u>Economic Development</u>	<u>Rental Buildings</u>	<u>Program Total</u>	<u>Admini- stration</u>	<u>Total</u>
FUNCTIONAL EXPENSES					
Director Wages	\$ 63,870	\$ 8,709	\$ 72,579	\$ 8,064	\$ 80,643
Staff Wages	39,411	5,374	44,785	4,976	49,761
Planning Consultant	9,548	00	9,548	1,061	10,609
Benefits	11,239	1,532	12,771	1,419	14,190
Payroll Tax Expense	9,292	1,267	10,559	1,173	11,732
Advertising and Promotion	9,648	1,316	10,964	1,218	12,182
Conferences and Education	2,410	329	2,739	304	3,043
Contribution to SCILL	19,763	00	19,763	00	19,763
Depreciation	00	98,905	98,905	10,989	109,894
Dues and Subscriptions	3,553	484	4,037	449	4,486
Entertainment and Meetings	4,218	575	4,793	533	5,326
Entrepreneur	15,264	00	15,264	1,696	16,960
Insurance	8,455	1,153	9,608	1,068	10,676
Interest Expense	00	138,839	138,839	00	138,839
Legal and Accounting	34,819	4,748	39,567	4,396	43,963
Miscellaneous	00	00	00	28,054	28,054
Office Supplies	5,690	776	6,466	799	7,265
Postage	863	118	981	109	1,090
Repairs and Maintenance	4,472	610	5,082	565	5,647
Telephone and Internet	5,340	660	6,000	00	6,000
Travel	6,241	851	7,092	788	7,880
Utilities	3,321	38	3,359	415	3,774
Web Site Development	<u>10,426</u>	<u>00</u>	<u>10,426</u>	<u>1,158</u>	<u>11,584</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$267,843</u>	<u>\$266,284</u>	<u>\$534,127</u>	<u>\$ 69,234</u>	<u>\$603,361</u>

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

**SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008
FOR FOUNDATION ONLY**

	<u>Economic Development</u>	<u>Rental Buildings</u>	<u>Program Total</u>	<u>Admini- stration</u>	<u>Total</u>
FUNCTIONAL EXPENSES					
Director Wages	\$ 51,513	\$ 7,025	\$ 58,538	\$ 6,504	\$ 65,042
Staff Wages	24,256	3,308	27,564	3,063	30,627
Planning Consultant	5,403	00	5,403	600	6,003
Benefits	10,125	1,381	11,506	1,278	12,784
Payroll Tax Expense	8,028	1,095	9,123	1,014	10,137
Advertising and Promotion	10,343	1,410	11,753	1,306	13,059
Conferences and Education	2,155	294	2,449	272	2,721
Contribution to SCILL	67,599	00	67,599	00	67,599
Depreciation	00	91,007	91,007	10,112	101,119
Dues and Subscriptions	804	110	914	101	1,015
Entertainment and Meetings	3,493	476	3,969	441	4,410
Entrepreneur	31,090	00	31,090	3,454	34,544
Insurance	8,666	1,181	9,847	1,094	10,941
Interest Expense	00	151,399	151,399	00	151,399
Legal and Accounting	16,475	2,247	18,722	2,080	20,802
Meeting	00	00	00	3,740	3,740
Office Supplies	7,164	977	8,141	1,006	9,147
Postage	737	101	838	93	931
Repairs and Maintenance	3,232	441	3,673	408	4,081
Telephone and Internet	4,873	602	5,475	00	5,475
Travel	5,628	768	6,396	711	7,107
Utilities	3,309	38	3,347	414	3,761
Web Site Development	634	00	634	70	704
Miscellaneous	<u>00</u>	<u>00</u>	<u>00</u>	<u>1,590</u>	<u>1,590</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$265,527</u>	<u>\$263,860</u>	<u>\$529,387</u>	<u>\$ 39,351</u>	<u>\$568,738</u>

STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY

SCHEDULES OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
FOR SCILL ONLY

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS		
Cash	\$199,846	\$200,274
Accounts Receivable	1,313	144
Prepaid Expenses	<u>334</u>	<u>318</u>
Total Current Assets	<u>201,493</u>	<u>200,736</u>
PROPERTY AND EQUIPMENT		
Building Improvements	00	30,591
Property and Equipment	<u>577,434</u>	<u>577,434</u>
	577,434	608,025
Less: Accumulated Depreciation	<u>500,480</u>	<u>481,096</u>
Total Property and Equipment - Net	<u>76,954</u>	<u>126,929</u>
TOTAL ASSETS	<u>\$278,447</u>	<u>\$327,665</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 15,064	\$ 2,210
Deferred Revenue	00	40,000
Accrued Liabilities	<u>13</u>	<u>34</u>
Total Current Liabilities	15,077	42,244
NET ASSETS		
Unrestricted	<u>263,370</u>	<u>285,421</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$278,447</u>	<u>\$327,665</u>

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

**SCHEDULES OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
FOR SCILL ONLY**

	<u>2009</u>	<u>2008</u>
REVENUES, GAINS, AND OTHER SUPPORT		
Grant Income	\$224,000	\$219,500
Contributions	00	23,249
Non-Cash Contributions	36,000	64,830
Other Contributions to/from Starke Co Dev Foundation	(16,237)	31,599
Class Fees and Books	4,534	6,434
Repair Proceeds from Auto Tech Program	11,248	4,575
Interest	2,428	1,036
Miscellaneous	<u>6,516</u>	<u>7,960</u>
Total Revenues, Gains, and Other Support	<u>268,489</u>	<u>359,183</u>
EXPENSES		
Education Program	276,808	298,626
Administration	<u>13,732</u>	<u>7,583</u>
Total Expenses	<u>290,540</u>	<u>306,209</u>
INCREASE (DECREASE) IN NET ASSETS	(22,051)	52,974
NET ASSETS - Beginning of Year	<u>285,421</u>	<u>232,447</u>
NET ASSETS - End of Year	<u>\$263,370</u>	<u>\$285,421</u>

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

**SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009
FOR SCILL ONLY**

	<u>Education</u>	<u>Administration</u>	<u>Total</u>
FUNCTIONAL EXPENSES			
Contracted Services:			
Director Wages	\$ 20,398	\$ 631	\$ 21,029
Staff Wages	9,958	636	10,594
Instructors	89,186	00	89,186
Benefits and Payroll Taxes	<u>35,611</u>	<u>1,874</u>	<u>37,485</u>
Total Contracted Services	155,153	3,141	158,294
Telephone and Internet	3,823	201	4,024
Utilities	11,482	604	12,086
Repairs and Maintenance	11,481	733	12,214
Office Supplies	1,134	60	1,194
Postage	390	21	411
Cost of Sales Auto Tech Program	11,093	00	11,093
Computer Repairs and Supplies	931	59	990
Shop Supplies	1,203	00	1,203
Class Books and Supplies	2,259	00	2,259
Advertising and Promotion	20	00	20
Educational Management Fee	10,200	00	10,200
Legal and Accounting	00	5,768	5,768
Training	65	00	65
Travel and Entertainment	647	41	688
Insurance	3,345	176	3,521
Rent Expense	34,200	1,800	36,000
Depreciation	22,697	702	23,399
Bad Debt Expense	202	13	215
Miscellaneous	<u>6,483</u>	<u>413</u>	<u>6,896</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$276,808</u>	<u>\$ 13,732</u>	<u>\$290,540</u>

STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008
FOR SCILL ONLY

	<u>Education</u>	<u>Administration</u>	<u>Total</u>
FUNCTIONAL EXPENSES			
Contracted Services:			
Director Wages	\$ 34,969	\$ 1,081	\$ 36,050
Staff Wages	11,513	735	12,248
Instructors	86,588	00	86,588
Benefits and Payroll Taxes	<u>39,459</u>	<u>2,077</u>	<u>41,536</u>
Total Contracted Services	172,529	3,893	176,422
Telephone and Internet	3,588	189	3,777
Utilities	10,646	560	11,206
Repairs and Maintenance	4,778	305	5,083
Office Supplies	3,908	206	4,114
Postage	432	22	454
Cost of Sales Auto Tech Program	5,307	00	5,307
Computer Repairs and Supplies	2,265	145	2,410
Shop Supplies	13,374	00	13,374
Class Books and Supplies	1,297	00	1,297
Advertising and Promotion	1,102	00	1,102
Educational Management Fee	10,200	00	10,200
Legal and Accounting	00	4,006	4,006
Travel and Entertainment	291	19	310
Insurance	4,849	255	5,104
Rent Expense	34,200	1,800	36,000
Depreciation	21,970	679	22,649
Bad Debt Expense	501	32	533
Loss on Disposal	00	(5,000)	(5,000)
Miscellaneous	<u>7,389</u>	<u>472</u>	<u>7,861</u>
 TOTAL FUNCTIONAL EXPENSES	 <u>\$298,626</u>	 <u>\$ 7,583</u>	 <u>\$306,209</u>