



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

B38655

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

April 14, 2011

Board of Directors  
Morgan County Economic  
Development Corporation  
4 E. Harrison St.  
Mooresville, IN 46158

We have reviewed the audit report prepared by Larry E. Nunn & Associates, LLC, Independent Public Accountants, for the period January 1, 2009 to December 31, 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 Morgan County Economic Development Corporation, as of December 31, 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.

We call your attention to the findings in the report. Page 13 contains two comments.

STATE BOARD OF ACCOUNTS

**MORGAN COUNTY ECONOMIC  
DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2009 and 2008**

**TABLE OF CONTENTS**

	Page
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5-10
<b>SUPPLEMENTAL INFORMATION</b>	11
Schedules of Operating Expenses	12
<b>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></b>	13-14

Larry E. Nunn & Associates  
Certified Public Accountants, L.L.C.

Member American Institute of Certified Public Accountants (AICPA)  
Member AICPA's Private Companies Practice Section (PCPS)  
Member AICPA's Center for Audit Quality  
Member AICPA's Governmental Audit Quality Center  
Member AICPA's Employee Benefit Plan Audit Quality Center  
Member Indiana CPA Society

*From Vision to Solution*

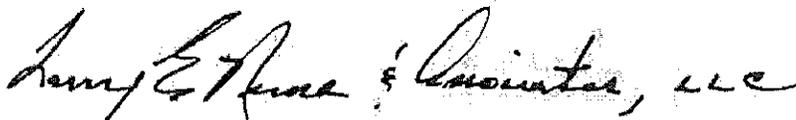
Board of Directors  
Morgan County Economic Development Corporation  
Mooreville, Indiana

We have audited the accompanying statements of financial position of Morgan County Economic Development Corporation (a nonprofit corporation) as of December 31, 2009 and 2008, and the related statements of activities and cash flows, 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 conducted our audits in accordance with auditing standards generally accepted in the United States of America, 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 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 the 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 financial statements referred to above present fairly, in all material respects, the financial position of Morgan County Economic Development Corporation as of December 31, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2010, on our consideration of Morgan County Economic Development Corporation'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 of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Plainfield, Indiana  
August 9, 2010

2545 Foxpointe Drive Suite A  
Columbus, IN 47203-3299  
812-376-3061 Fax 812-376-3157

4002 Clark's Creek Road  
Plainfield, IN 46168-1948  
317-839-9136 Fax 317-839-9177

419 West Second Street  
Seymour, IN 47274-2149  
812-523-6726 Fax 812-523-6728

Visit our website: [www.nunncpas.com](http://www.nunncpas.com)

**MORGAN COUNTY ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31**

	2009		2008	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 185,896	\$ 20,370	\$ 110,394	\$ (35,000)
Certificates of deposit, at cost	209,347	-	200,583	-
Accounts receivable	4,850	-	33,950	-
USDA revolving loan receivable	-	-	-	50,000
Notes receivable	-	44,630	-	50,000
Prepaid expenses	6,406	-	3,327	-
Land option costs	10,600	-	10,600	-
Office equipment, net	9,223	-	10,906	-
Land development costs	20,400	-	-	-
<b>Total assets</b>	<b>\$ 446,722</b>	<b>\$ 65,000</b>	<b>\$ 369,760</b>	<b>\$ 65,000</b>
				<b>\$ 434,760</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 420	\$ -	\$ 105	\$ -
Accrued wages	814	-	1,624	-
Payroll taxes payable	-	-	4,016	-
Revolving loan payable	-	65,000	-	65,000
<b>Total liabilities</b>	<b>1,234</b>	<b>65,000</b>	<b>5,745</b>	<b>65,000</b>
				<b>70,745</b>
<b>NET ASSETS</b>				
Unrestricted	445,488	-	364,015	-
<b>Total liabilities and net assets</b>	<b>\$ 446,722</b>	<b>\$ 65,000</b>	<b>\$ 369,760</b>	<b>\$ 65,000</b>
				<b>\$ 434,760</b>

See accompanying notes to financial statements and independent auditor's report.

**MORGAN COUNTY ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENTS OF ACTIVITIES**  
**For the Years Ended December 31**

	2009	2008
<b>REVENUES</b>		
Dues	\$ 183,650	\$ 199,000
Plat fees	3,250	8,850
Grants	5,000	4,000
Donation-in-kind	14,101	14,101
Interest income	10,083	6,813
Map program	-	22,000
Miscellaneous income	2,146	9,282
	<hr/>	<hr/>
<b>Total revenues</b>	218,230	264,046
<b>OPERATING EXPENSES</b>	<hr/>	<hr/>
	136,757	247,988
Change in net assets	81,473	16,058
<b>NET ASSETS - beginning of the year</b>	<hr/>	<hr/>
	364,015	347,957
<b>NET ASSETS - end of year</b>	<hr/> <hr/>	<hr/> <hr/>
	\$ 445,488	\$ 364,015

See accompanying notes to financial statements and independent auditor's report.

**MORGAN COUNTY ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENTS OF CASH FLOW**  
**For the Years Ended December 31**

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 81,473	\$ 16,058
Adjustments to reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	2,234	1,773
Interest reinvested	(8,765)	(583)
Decrease (Increase) in:		
Accounts receivable	29,100	(21,100)
USDA revolving loan receivable	50,000	-
Notes receivable	5,370	-
Prepaid expenses	(3,079)	-
Increase (Decrease) in:		
Accounts payable	315	(482)
Accrued wages	(810)	(539)
Payroll taxes payable	(4,566)	104
	151,272	(4,769)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Land development costs	(20,400)	-
	(20,400)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Receipt of revolving loan funds	-	15,000
Disbursements of revolving loan funds	-	(50,000)
Purchase of certificate of deposits	-	(200,000)
	-	(235,000)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	130,872	(239,769)
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	75,394	315,163
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	\$ 206,266	\$ 75,394

See accompanying notes to financial statements and independent auditor's report.

**MORGAN COUNTY ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009 and 2008**

**Note 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

Nature of Operations - Morgan County Economic Development Corporation (the Corporation) was originally incorporated as a not-for-profit corporation on June 7, 1990 under the laws of the State of Indiana. The Corporation's purpose is to encourage, promote and develop economic expansion within Morgan County, Indiana. Support for the Corporation comes primarily from membership dues. The corporation is located in Mooresville, Indiana.

Summary of Significant Accounting Policies

*Estimates* - The presentation of financial statements are in conformity with generally accepted accounting principles, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Financial Statement Presentation* - The Corporation 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 as required by the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification. The Corporation does not have any permanently restricted net assets.

*Cash and Cash Equivalents* - For purposes of the statement of cash flows, the Corporation considers investments available for current use with an initial maturity date of three months or less to be cash equivalents.

*Contributions* - In accordance with the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. Gifts and contributions are recorded at fair value. The Corporation does not have any temporarily or permanently restricted net assets.

*Advertising* - The Corporation expenses advertising costs as they are incurred.

*Federal Income Tax* - The Corporation is exempt from Income Tax under Internal Revenue Code Section 501 (c) (6). However a Form 990, Return of Organization Exempt from Income Tax, is required to be filed each year.

**MORGAN COUNTY ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009 and 2008**

**Note 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Office Equipment* – The Corporation follows the practice of capitalizing all expenditures with an estimated useful life of three years or more. Depreciation of fixed assets is provided on a straight-line basis over the estimated useful lives of assets. Estimated useful lives are as follows:

Office furniture	10 years
Computer equipment	3 years

When items are disposed of, the cost and accumulated depreciation are eliminated from the records of account, and a gain or loss is reported in the change in net assets. Repair and maintenance charges that do not increase the useful lives of the assets are charged to the change in net assets as incurred.

*Revenue Recognition* – The Corporation records public and private investment revenue in the period billed and received. All donations are voluntary and the Corporation does not recognize any revenue or bad debt expense for amounts not received. Private investment revenue is from various companies located in Morgan County. Public investment revenue is from towns and cities in Morgan County. Plat fees are recognized when earned.

*Statement of Cash Flows* - The indirect method is used to report cash flows from operating activities.

**Note 2 - MEMBERSHIP**

Per the by-laws of the Corporation, there is a Board of Directors composed of representatives from the governmental membership and the corporate/business membership. The Corporation has three classes of membership:

*General* – includes those nongovernmental members making a contribution of \$4,000 or more annually through the payment of dues as set by the Board of Directors. General Members will become members of the Board of Directors having full voting rights and duties conferred upon the Board of Directors.

*Governmental* – includes a Member designated by the City Council of Martinsville, the Town Council of Mooresville and the County Commissioners of Morgan County. Upon making an annual contribution of dues to the corporation, Martinsville \$50,000, Mooresville \$50,000 and Morgan County \$50,000, they shall have the following appointments:

**MORGAN COUNTY ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009 and 2008**

**Note 2 - MEMBERSHIP (continued)**

	<u>Board of Directors</u>	<u>Executive Committee</u>
Martinsville	1	1
Mooreville	1	1
Morgan County	1	1

*Special* - any individual or organization approved by a majority vote of the Board of Directors and have such rights as designated by the Board of Directors. The Martinsville and Mooreville Chambers of Commerce shall each be entitled to one non-voting Special Membership on the Board of Directors. An Associate Membership level of Special Members shall be granted to any entity for an annual contribution of \$1,500.

**Note 3 - CASH IN EXCESS OF FDIC LIMIT**

The Corporation maintains a bank account which periodically exceeds the FDIC guarantee limit during the year. At December 31, 2009 and 2008, the Corporation balances were not in excess of the FDIC limit. The financial institution has additional collateralization for the Corporation deposits in the amount of \$179,000 and \$45,000, respectively.

**Note 4 - INVESTMENTS**

During 2008, the Corporation invested in certificates of deposit with original maturities of fifteen and seventeen months. The certificates are recorded at cost and earn interest at rates ranging from 4.18% to 4.43% per annum. The certificates mature in February and April of 2010, respectively.

**Note 5 - ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following as of December 31:

	<u>2009</u>	<u>2008</u>
Membership	\$ -	\$ 32,350
Platt fees	4,850	1,600
Total accounts receivable	<u>\$ 4,850</u>	<u>\$ 33,950</u>

**MORGAN COUNTY ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009 and 2008**

**Note 6 – PLAT FEES**

Pursuant to Ordinance 1-14-14.2 adopted by the Morgan County Board of Commissioners on November 19, 2001, the Corporation receives \$50 of unrestricted support for each new residential lot platted and recorded in Morgan County. These funds are collected by the auditor of Morgan County and transmitted to the Corporation periodically.

**Note 7 – OFFICE EQUIPMENT**

The Corporation's office equipment consisted of the following as of December 31:

	<b>2009</b>	<b>2008</b>
Computer equipment	\$ 3,731	\$ 3,640
Office furniture	13,132	13,132
Totals - at cost	16,863	16,772
Less accumulated depreciation	7,640	5,866
Net office equipment	<u>\$ 9,223</u>	<u>\$ 10,906</u>

**Note 8 – OPERATING LEASE**

The Corporation leases their copier. As of December 31, 2007 the Corporation was under contract to lease the copier through June 2009 for \$70 per month. Lease expense for the years ended December 31, 2009 and 2008 was \$1,131 and \$1,116, respectively. Currently, a new lease agreement has not been signed.

**Note 9 - EXISTENCE OF CONCENTRATION IN REVENUES RECEIVED**

The Corporation received approximately 69%, and 57% of its revenues from Morgan County Commissioners, City of Martinsville and Town of Mooresville for the years ended December 31, 2009 and 2008, respectively, in dues. As of December 31, 2009 and 2008, approximately 0% and 95% of the accounts receivable were related to these members, respectively. In the event that this revenue were to be eliminated, it is likely that the Corporation would need to reduce its current operations. The Corporation does not expect in any way that the revenue from these sources will be lost in the near term.

**MORGAN COUNTY ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009 and 2008**

**Note 10 – DONATION-IN-KIND**

The Corporation was provided furnished office space by the Town of Mooresville for the years ended December 31, 2009 and 2008 and has recognized in-kind revenue in the amount of \$14,101 for the donated use of the space, respectively. The offsetting rent expense is included in operating expenses. The office space is provided on a year-to-year basis as there is no formal lease agreement.

**Note 11 – LAND OPTIONS**

The Corporation was granted the first and exclusive option to purchase parcels of real estate in Morgan County, Indiana. The option shall be exercised on or before the 15<sup>th</sup> day of March 2010. The purchase price for the real estate is Fifteen Thousand dollars per acre plus Seventy dollars per lineal foot of State Road 37 frontage for the surveyed acreage of the real estate, to be paid in cash at the time of the real estate closing. The approximate 55.5 acres must be sold as a combined unit and used as a business park. The consideration for the real estate option shall be the testing and analysis of the real estate which was \$10,600 as of December 31, 2009 and 2008.

**Note 12 – REVOLVING LOAN FUND**

In 2008, the United States Department of Agriculture (USDA) awarded the Corporation a Rural Business Enterprise Grant of \$200,000 to finance and facilitate the development of small and emerging private business enterprises within Morgan County, Indiana. Advances are received from the USDA when businesses have applied and been approved to participate in the program. Under the terms of the grant, funds received by the Corporation are maintained in a revolving loan fund. Principle repayments on loans are maintained in the fund and are available to be used for future loans. Morgan County has also contributed \$15,000 toward the program. Should the program terminate, the original funds received from USDA and Morgan County must be returned. The funds received as of December 31, 2009 and 2009 were \$65,000 and are shown as the revolving loan payable on the statement of financial position. The activity within the revolving loan fund is presented in the statement of financial position under temporarily restricted net assets.

For the year ended December 31, 2008 two loans were approved and disbursed in the amount of \$25,000 each. Funding for these loans was received from the USDA in 2009. The loans require monthly payments of \$460 and \$564, and include interest of 4.0% per annum for the first four years and 8.0% per annum until maturity thereafter. The maturities of the notes receivable for each of the succeeding five years subsequent to December 31, 2009 are as follows:

**MORGAN COUNTY ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2009 and 2008**

**Note 12 – REVOLVING LOAN FUND (continued)**

2010	\$ 16,411
2011	11,377
2012	12,153
2013	<u>4,689</u>
Total notes receivable	<u><u>\$ 44,630</u></u>

**Note 13 – ACCRUED VACATION AND SICK**

Employees of the Corporation are entitled to accrued vacation and sick time at various accrual rates depending on the years of service. Any earned and unused vacation at the end of the calendar year is vested and can be carried over to future periods but cannot exceed forty (40) hours; however, employees are expected to use vacation time throughout the year. As of December 31, 2009 and 2008 accrued vacation was \$814 and \$1,624, respectively, and is included with accrued wages on the Statement of Financial Position.

Employees of the Association are also entitled to eighty (80) hours of sick leave awarded at the beginning of each year. Sick leave is not vested; however, sick leave hours are cumulative from year to year with a maximum accumulation of two hundred forty (240) hours. As of December 31, 2009 and 2008, the Corporation is contingently liable for unused sick leave in the amount of \$1,728 and \$5,699, respectively.

**Note 14 – LAND DEVELOPMENT**

The Corporation has incurred land development cost in association with a Shovel Ready Project that they have applied for with the Indiana Economic Development Corporation. There is an agreement with Hoosier Energy and South Central Indiana REMC to be reimbursed for some of the land development costs associated with this project.

**Note 15 – SUBSEQUENT EVENTS**

The Corporation has evaluated subsequent events through August 9, 2010, which is the date financial statements were available to be issued. No material subsequent events were identified which would require disclosure and/or adjustment to the financial statements as of December 31, 2009.

**SUPPLEMENTAL INFORMATION**

**MORGAN COUNTY ECONOMIC DEVELOPMENT CORPORATION**  
**SCHEDULES OF OPERATING EXPENSES**  
**For the Years Ended December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Salaries	\$ 73,907	\$ 124,414
Payroll taxes	5,818	10,158
Employee benefits	7,454	14,494
Total personnel costs	<u>87,179</u>	<u>149,066</u>
Advertising and promotions	8,771	41,569
Auto expenses	4,842	6,731
Bank service charges	30	-
Computer equipment	-	303
Consulting fees	-	13,200
Contract labor	2,250	-
Contributions	570	-
Depreciation	2,234	1,773
Dues and subscriptions	754	404
Equipment lease	1,131	1,116
Insurance	1,120	1,146
Licenses and fees	7	-
Meals and entertainment	4,318	3,126
Miscellaneous	959	72
Office supplies	622	409
Payroll service	166	-
Postage	177	858
Professional fees	5,413	6,617
Registration	425	475
Rent	14,101	14,101
Repairs and maintenance	221	-
Telephone	1,076	979
Travel	391	6,043
<b>Total operating expenses</b>	<u>\$ 136,757</u>	<u>\$ 247,988</u>

**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**

Board of Directors  
Morgan County Economic Development Corporation  
Mooresville, Indiana

We have audited the financial statements of Morgan County Economic Development Corporation (the Corporation) as of December 31, 2009 and 2008, and have issued our report thereon dated August 9, 2010. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Morgan County Economic Development Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a control deficiency. Control deficiencies involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Morgan County Economic Development Corporation's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The control deficiencies are:

- Inadequate segregation of duties consistent with appropriate control objectives.
- Morgan County Economic Development Corporation does not have individuals who possess the qualifications and training necessary in order to apply generally accepted accounting principles in recording the entity's financial transactions and preparing its financial statements.

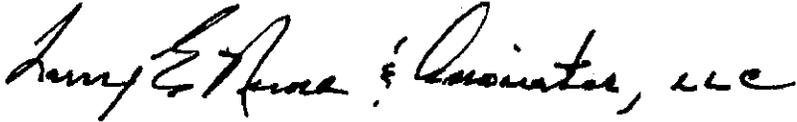
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be control deficiencies and, accordingly, would not necessarily disclose all control deficiencies that are also considered to be material weaknesses. However, we believe the control deficiency of inadequate segregation of duties consistent with appropriate control objectives is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Morgan County Economic Development Corporation's financial statements are free of 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*.

This report is intended solely for the information and use of the finance committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Amy E. Hines & Associates, LLC". The signature is written in a cursive style.

Plainfield, Indiana  
August 9, 2010