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October 12, 2011

Board of Directors
Lake County Economic
Development Corporation
9204 Columbia Ave.
Munster, IN 46321

We have reviewed the audit report prepared by Swartz, Retson & Co., PC, Independent Public Accountants, for the period January 1, 2006 to December 31, 2006. 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 Lake County Economic Development Corporation, as of December 31, 2006, 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. Page 19 contains one current audit finding.

STATE BOARD OF ACCOUNTS

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

LAKE COUNTY ECONOMIC
DEVELOPMENT CORPORATION

DECEMBER 31, 2006

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

LAKE COUNTY ECONOMIC DEVELOPMENT CORPORATION

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT 3

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 4-5

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 6-7

STATEMENT OF FINANCIAL POSITION 8

STATEMENT OF ACTIVITIES 9

STATEMENT OF FUNCTIONAL EXPENSES 10

STATEMENT OF CASH FLOWS 11

NOTES TO THE FINANCIAL STATEMENTS 12-14

SUPPLEMENTARY SCHEDULES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS 16

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .. 17

SCHEDULES OF FINDINGS AND QUESTIONED COSTS 18-19



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Lake County Economic Development Corporation
9204 Columbia Avenue
Munster, IN 46321

We have audited the accompanying statement of financial position of Lake County Economic Development Corporation as of December 31, 2006, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 audit provides 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 Lake County Economic Development Corporation as of December 31, 2006, and the changes in its net assets and its cash flows for the year 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 December 13, 2007, on our consideration of Lake 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 on 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.

A handwritten signature in cursive script that reads "Swartz, Retson & Co., P.C.".

Merrillville, IN
December 13, 2007



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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
Lake County Economic Development Corporation

We have audited the financial statements of Lake County Economic Development Corporation as of and for the year ended December 31, 2006 and have issued our report thereon dated December 13, 2007. 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 Lake County Economic Development Corporation's internal control over financial reporting 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 Lake County Economic Development Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lake County Economic Development Corporation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency, 2006-1, described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

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 entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lake 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 grants 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2006-1.

Lake County Economic Development Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Lake County Economic Development Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors and the Indiana State Board of Accounts and is not intended to be and should not be used by anyone other than these specified parties.

Swartz, Betson & Co., P.C.

Merrillville, IN
December 13, 2007



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Lake County Economic Development Corporation

Compliance

We have audited the compliance of Lake County Economic Development Corporation with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. Lake County Economic Development Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lake County Economic Development Corporation's management. Our responsibility is to express an opinion on Lake County Economic Development Corporation's compliance based on our audit.

We conducted our audit of compliance 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lake County Economic Development Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lake County Economic Development Corporation's compliance with those requirements.

In our opinion, Lake County Economic Development Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006. However, the results of our auditing procedures also disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Item 2006-1.

Internal Control Over Compliance

The management of Lake County Economic Development Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lake County Economic Development Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lake County Economic Development Corporation's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Item 2006-1 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Lake County Economic Development Corporation's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Lake County Economic Development Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, Indiana State Board of Accounts, 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.

Swartz, Betson & Co., A.C.

Merrillville, IN
December 13, 2007

LAKE COUNTY ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2006

ASSETS

ASSETS		
Cash and Cash Equivalents	\$ 73,003	
Cash Restricted to Marketing of Riverwalk Subdivision	10,000	
Cost of Land for Development	173,641	
Costs Related to Development of Land for Resale	<u>1,419,142</u>	
TOTAL ASSETS		<u>\$1,675,786</u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts Payable	\$ 2,738	
Other Liabilities	<u>144,000</u>	
TOTAL LIABILITIES		\$ 146,738
NET ASSETS		
Unrestricted	1,519,048	
Temporarily Restricted	<u>10,000</u>	
TOTAL NET ASSETS		<u>1,529,048</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$1,675,786</u>

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

LAKE COUNTY ECONOMIC DEVELOPMENT CORPORATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2006 Total</u>
REVENUES			
Grants	\$ 795,663	\$ 00	\$ 795,663
Interest	1,376	00	1,376
Miscellaneous	<u>1,755</u>	<u>10,000</u>	<u>11,756</u>
Total Revenues	798,794	10,000	808,794
 EXPENSES			
Management Expenses	<u>25,148</u>	<u>00</u>	<u>25,148</u>
 CHANGE IN NET ASSETS	773,646	10,000	783,646
 NET ASSETS - Beginning of Year	<u>745,402</u>	<u>00</u>	<u>745,402</u>
 NET ASSETS - End of Year	<u>\$1,519,048</u>	<u>\$ 10,000</u>	<u>\$1,529,048</u>

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

LAKE COUNTY ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

EXPENSES	
Advertising	\$ 434
Consulting	4,077
Insurance	2,612
Professional Fees	13,988
Marketing	924
Taxes - Personal Property	<u>3,113</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 25,148</u>

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

LAKE COUNTY ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 783,646	
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
(Increase) Decrease in:		
Costs Associated with Real Estate Development	(1,193,323)	
Increase (Decrease) in:		
Accounts Payable	2,738	
Other Liabilities	<u>144,000</u>	
NET CASH (USED) BY OPERATING ACTIVITIES		\$ (262,939)
CASH AND CASH EQUIVALENTS - Beginning of Year		<u>345,942</u>
CASH AND CASH EQUIVALENTS - End of Year		<u>\$ 83,003</u>

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

LAKE COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Lake County Economic Development Corporation was created to provide charitable services through community economic development activities. This generally takes the form of the construction of low income housing throughout the community. The Corporation's current major source of revenue is from a Community Development Block Grant. Management anticipates that the sale of lots will be the major source of revenue in future periods.

Financial Instruments and Credit Risk

At December 31, 2006, the Corporation has \$0 in financial institutions in excess of the Federal Deposit Insurance Corporations' (FDIC) insured level of \$100,000. The amount of potential exposure is computed based on the bank's statement balance at December 31, 2006, and is not adjusted for the outstanding checks and other in-transit items reflected in the Corporation's records.

Financial Statement Presentation

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

Cash and 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.

Costs Associated with Real Estate Development

The Corporation has incurred costs for the development of a 165 lot single-family residential subdivision located in Lake Station, Indiana. Costs as of December 31, 2006 amounted to \$1,592,783 and is reflected as other assets in the statement of financial position. Total project costs from inception are as follows:

Land	\$ 173,641
Cost Related to Development of Land	<u>1,419,142</u>
Total	<u>\$1,592,783</u>

Income Taxes

Lake County Economic Development Corporation is a not-for-profit corporation organized under the laws of the State of Indiana. The Internal Revenue Service has ruled that the Corporation qualifies under Section 501(c)(3) of the Internal Revenue Code, and is therefore not subject to tax under present income tax laws. The Corporation is not considered to be a private foundation.

Advertising

Advertising costs are included in operating expenses and are expensed as incurred. Advertising expense was \$434 for the year ended December 31, 2006.

LAKE COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2006

NOTE 2 - TEMPORARILY RESTRICTED ASSETS

Funds totaling \$10,000 from the City of Lake Station are to be used for marketing of the Riverwalk Subdivision. These funds were resultant of the consent decree between the City of Lake Station and the U.S. Department of Justice.

NOTE 3 - COMMITMENTS

In November 2006, the Corporation obtained a \$158,098 letter of credit from American Trust and Savings Bank to help finance Northern Indiana Public Service Company utilities to residential developments. At December 31, 2006 there was no outstanding balance.

In November 2006, the Corporation obtained a \$250,000 non-revolving line of credit from American Trust and Savings Bank to help finance real estate infrastructure improvements. The line is collateralized by a first position warranty mortgage in the project. Interest is payable monthly at a rate of 1% below prime. At December 31, 2006 there was no outstanding balance.

In September 2004, the Corporation entered into an agreement with Duneland Group, Inc. to provide engineering and surveying services for the planned 165 lot single-family residential subdivision to be located in Lake Station, Indiana. The estimated fee for the services is \$181,200. Expenditures through December 31, 2006 under the agreement totaled \$92,051.

In April 2005 the Corporation entered into a development agency agreement with Urban Ventures, Inc. to provide consulting services related to the planned 165 lot single-family residential subdivision to be located in Lake Station, Indiana. The services to be provided under the agreement include retaining all contractors, planners, and other consultants as necessary to develop as recommended by Accent Homes, Inc., the general contractor selected to oversee construction of the development. The contract has a three-year term. Fees are based on hours worked and are charged at rates ranging from \$130 to \$155 per hour. Should the development reach a stage where 50% of the homes in the first phase of the development are sold to end purchasers prior to the completion of the three-year term of the agreement, the agreement shall terminate immediately. Expenditures under the agreement totaled \$4,888 for the year ended December 31, 2006.

In March 2006 the Corporation entered into an agreement with G.E. Marshall to provide site development work, including utilities, sewer and drainage systems, erosion control, and road development for the planned 165 lot single-family residential subdivision to be located in Lake Station, Indiana. The base price of the contract totals \$1,122,047. Due to unanticipated roadway stabilization costs, the contract increased to \$1,198,007. Expenditures through December 31, 2006 under the agreement totaled \$1,172,858.

LAKE COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2006

NOTE 3 - COMMITMENTS CONTINUED

In April 2006 the Corporation entered into a development agreement with Accent Homes, Inc. to provide services as the development manager for the planned 165 lot single-family residential subdivision to be located in Lake Station, Indiana. Fees to Accent Homes, Inc. shall be paid at a rate of \$2,000 per lot, payable at the time required building permits are issued. As part of the same agreement, the Corporation agreed to provide a company related to Accent Homes, Inc., Century 21 Heritage, Inc. to act as the selling agent of lots for the planned 165 lot single-family residential subdivision to be located in Lake Station, Indiana. Fees to Century 21 Heritage, Inc. shall be paid at a rate of \$1,500 per lot, which will be paid at closing.

SUPPLEMENTARY SCHEDULES

LAKE COUNTY ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2006

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Accounts Receivable January 1</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Accounts Receivable December 31</u>	<u>Reference</u>
Department of Housing and Urban Development Lake County Community Economic Development Department Community Development Block Grant 1/1/06 to 12/31/06	14.218	Reimbursement of Claims	\$ 00	\$795,663	\$795,663	\$ 00	Note 2

LAKE COUNTY ECONOMIC DEVELOPMENT CORPORATION

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2006**

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Lake County Economic Development Corporation and is presented on the accrual basis of accounting.

NOTE 2 - COMMUNITY DEVELOPMENT BLOCK GRANT

The Corporation receives funding from U.S. Department of Housing and Urban Development as a pass-through from the Lake County Community Economic Development Department. The funding is to be used to provide infrastructure improvements for up to 53 lots to be constructed upon a site in Lake Station, Indiana known as Riverwalk.

LAKE COUNTY ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED DECEMBER 31, 2006

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Lake County Economic Development Corporation.
2. One significant deficiency relating to the audit of the financial statements is reported in the *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*.
3. No instances of non-compliance material to the financial statements of Lake County Economic Development Corporation were disclosed during the audit.
4. One significant deficiency relating to the audit of the financial statements is reported in the *Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133*.
5. No significant deficiencies identified are considered to be material weaknesses in the *Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133*.
6. The auditor's report on compliance for major federal award programs for Lake County Economic Development expresses an unqualified opinion.
7. The program tested as a major program is the U.S. Department of Housing and Urban Development, Lake County Community Economic Development Department, CFDA #14.218.
8. Audit findings that are required to be reported in accordance with Section 501(a) of OMB Circular A-133 are reported in this Schedule.
9. The threshold for distinguishing Types A and B programs was \$300,000.
10. Lake County Economic Development Corporation did not qualify as a low-risk auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2006

FINDINGS - FINANCIAL STATEMENTS AUDIT

Significant Deficiency

Condition 2006-1:

The Board of Directors of the Corporation does not have sufficient qualifications and training to prepare the Corporation's financial statements in accordance with generally accepted accounting principles and generally accepted governmental accounting principles.

Criteria:

A corporation preparing financial statements under generally accepted accounting principles should have an individual with sufficient knowledge and training to prepare the corporation's financial statements.

Effect:

The Corporation's financial statements may not be prepared in accordance with generally accepted accounting principles and generally accepted governmental accounting principles.

Cause:

The Board of Directors does not have a member with sufficient training.

Recommendation:

The Board should add a member with sufficient training to prepare the Corporation's financial statements.

Auditee Response to Finding:

The not-for-profit Organization's Board of Directors provides oversight of the day-to-day operations of the Organization and it has no employees. The Organization will seek to recruit an individual with relevant experience to become a member of the Board of Directors. That will allow the Organization to meet the objectives of SAS 112 relating to the Organization's ability to prepare its own financial statements and related disclosures.