



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

October 12, 2011

Board of Directors
Scott County Economic
Development Corporation
90 N. Main St., Ste. C.
P.O. Box 156
Scottsburg, IN 47170-0156

We have reviewed the audit report prepared by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. 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 Scott County Economic Development Corporation, as of December 31, 2008, 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

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

TABLE OF CONTENTS DECEMBER 31, 2008 AND 2007

	Page
Report of Independent Auditors	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5
Supplementary Information	
Schedules of Expenses	10



Blue & Co., LLC / 106 Community Drive / Seymour, IN 47274
main 812.522.8416 fax 812.523.8615 email blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Scott County Economic Development Corporation
Scottsburg, Indiana

We have audited the accompanying statements of financial position of Scott County Economic Development Corporation (the "Organization") as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2008 and 2007, 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 audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of expenses on page 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Blue & Co., LLC

August 19, 2009

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2008 AND 2007

ASSETS

	<u>2008</u>	<u>2007</u> As Restated
Cash	\$ 50	\$ 50
Accounts receivable	356	250
Equipment, net	1,195	189
Restricted cash	217,170	311,782
Restricted certificate of deposit	<u>150,000</u>	<u>-0-</u>
	<u>\$ 368,771</u>	<u>\$ 312,271</u>

LIABILITIES AND NET ASSETS

Liabilities		
Interfund payables	\$ 38,808	\$ 15,296
Accounts payable	6,927	-0-
Accrued expenses	5,756	6,440
Deferred revenue	<u>364,465</u>	<u>311,782</u>
Total liabilities	415,956	333,518
Unrestricted net assets (deficit)	<u>(47,185)</u>	<u>(21,247)</u>
	<u>\$ 368,771</u>	<u>\$ 312,271</u>

See accompanying notes to financial statements.

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Support and revenues		
Grant income:		
State government	\$ -0-	\$ 1,347
Local government	<u>123,000</u>	<u>118,000</u>
	123,000	119,347
Contributions	18,900	18,250
Interest income	340	4,046
Miscellaneous income	<u>7,248</u>	<u>736</u>
	<u>26,488</u>	<u>23,032</u>
Total support and revenues	149,488	142,379
Expenses		
Economic development	133,847	116,632
Management and general	<u>41,579</u>	<u>35,399</u>
Total expenses	<u>175,426</u>	<u>152,031</u>
Change in net assets	(25,938)	(9,652)
Net assets (deficit), beginning of year	<u>(21,247)</u>	<u>(11,595)</u>
Net assets (deficit), end of year	<u>\$ (47,185)</u>	<u>\$ (21,247)</u>

See accompanying notes to financial statements.

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u> As Restated
Cash flows from operating activities		
Change in net assets	\$ (25,938)	\$ (9,652)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	141	153
Changes in assets and liabilities:		
Accounts receivable	(106)	(250)
Net change in restricted cash	94,612	(276,260)
Net change in restricted certificates of deposit	(150,000)	104,282
Interfund payables	23,512	3,559
Accounts payable	6,927	-0-
Accrued expenses	(684)	6,190
Deferred revenue	52,683	171,978
Net cash flows from operating activities	<u>1,147</u>	<u>-0-</u>
Cash flows from investing activities		
Purchase of equipment	<u>(1,147)</u>	<u>-0-</u>
Net change in cash	-0-	-0-
Cash, beginning of year	<u>50</u>	<u>50</u>
Cash, end of year	<u>\$ 50</u>	<u>\$ 50</u>

See accompanying notes to financial statements.

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Scott County Economic Development Corporation (the "Organization") is a not-for-profit corporation which is governed by a Board of Directors. The Organization aids Scott County, Indiana, by attracting new industry to the area and by encouraging the development and retention of industries in the community. Also, the Organization manages the operations and administers funds for the Certified Technology Park and the Future Rural Technology Project.

Management's Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported support, revenues and expenses. Actual results could vary from the estimates that were used.

Basis of Presentation

Net assets, support, revenues, investment return, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. The net assets of the Organization are classified and reported as unrestricted net assets as they are not subject to donor-imposed restrictions.

Equipment

Items capitalized as part of equipment are valued at cost. Maintenance and repairs are expensed as incurred. The Organization uses the straight line method of computing depreciation at rates adequate to depreciate the cost of the applicable assets over their useful lives ranging from 3 to 7 years.

Restricted Cash and Certificates of Deposit

Restricted cash and certificates of deposits include monies received from the City of Scottsburg for the management of the activities related to the Certified Technology Park and the Future Rural Technology Project.

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

Interfund Payables

Interfund payables relate to monies the Organization has utilized for operations which are related to the Certified Technology Park and the Future Rural Technology Project it oversees.

Deferred Revenue

Revenue from grants related to programs are deferred until the period in which qualifying expenditures are made in accordance with the terms of the grants.

Support and Revenue Recognition

Contributions are recognized as support in the period the contribution is made. Contributions received with donor imposed restrictions are reported as restricted support and increase temporarily or permanently restricted net assets.

The Organization recognizes grant revenue in the period the related expenses are incurred.

All other revenue is recorded when earned.

Expense Allocation

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

Income Taxes

The Organization is exempt from federal and state income taxation as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code.

Accounting for Uncertainty in Income Taxes

The Financial Accounting Standards Board ("FASB") has issued Interpretation No. 48 ("FIN 48"), which clarifies generally acceptable accounting principles for recognition, measurement, presentation and disclosure relating to uncertain tax positions. FIN 48 applies to business enterprises, not-for-profit entities, and pass-through entities, such as S corporations and limited liability companies. As permitted by FIN 48 (as amended), the Organization has elected to defer the application of FIN 48 until issuance of its December 31, 2009 financial statements. For financial statements covering periods prior to calendar 2009, the Organization evaluates uncertain tax positions in accordance with existing generally accepted accounting principles and makes such accruals and disclosures as might be required thereunder.

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

2. RESTATEMENT OF 2007 FINANCIAL STATEMENTS

The Organization has corrected its 2007 financial statements to properly reflect restricted cash and interfund payables to the proper amounts. This restatement had no effect on previously reported net assets.

3. CERTIFICATE OF DEPOSIT

The Organization has a certificate of deposit in the amount of \$150,000 at December 31, 2008. The certificate bears an interest rate of 3.55 percent and has a maturity date of April 2009.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Effective January 1, 2008, the Organization adopted FASB Statement No. 157 (FAS 157), *Fair Value Measurements (as amended)*, which provides a comprehensive framework for measuring fair value and expands required disclosures concerning fair value measurements. Specifically, FAS 157 sets forth a definition of fair value and establishes a hierarchy prioritizing the inputs to valuation techniques, giving the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable value inputs. The adoption of FAS 157 did not have a material impact on the Organization's financial statements.

FAS 157 defines levels within the hierarchy of inputs as follows:

- Level 1 – Unadjusted quoted prices for identical assets and liabilities in active markets
- Level 2 – Quoted prices for similar assets and liabilities in active markets (other than those included in Level 1) which are observable for the assets or liability, either directly or indirectly.
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

The following table sets forth financial assets measured at fair value in the Statement of Financial Position and the respective levels to which the fair value measurements are classified within the fair value hierarchy as of December 31, 2008:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Restricted certificate of deposit	\$ 150,000	\$ -0-	\$ 150,000

The fair value of the certificate of deposit approximates its cost.

5. EQUIPMENT

A summary of equipment at December 31, 2008 and 2007, is as follows:

	2008	2007
Equipment	\$ 7,846	\$ 16,749
Less accumulated depreciation	6,651	16,560
	\$ 1,195	\$ 189

6. DEFERRED REVENUE

In 2007, the Organization received \$235,000 from the City of Scottsburg to manage and market the Certified Technology Park. An additional \$387,522 was received from the City of Scottsburg in 2008. During 2008 and 2007, the Organization expended \$247,584 and \$165,708 of the funds for this purpose, respectively. Deferred revenue at December 31, 2008 and 2007 of \$349,034 and \$209,096, respectively, represents that portion of revenue relating to the Certified Technology Park attributable to services required to be provided by the Organization that have not yet been performed.

In 2007, the Organization received \$100,000 from the City of Scottsburg and \$97,500 from the State of Indiana to manage and market the Future Rural Technology Project. An additional \$185,000 was received from the City of Scottsburg for the benefit of the Future Rural Technology Project. The Organization also received \$22,500 from the State government and \$21,748 from other sources

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2008 AND 2007

or contract revenue in 2008. During 2008 and 2007, the Organization expended \$316,503 and \$94,814 of the funds for this purpose, respectively. Deferred revenue at December 31, 2008 and 2007 of \$15,431 and \$102,686, respectively, represents the portion of revenue relating to the Future Rural Technology Project attributable to services required to be provided by the Organization that have not yet been performed.

7. RETIREMENT SAVINGS PLAN

The Organization has a 403(b) deferred savings plan available to all employees. The Organization's contributions to the plan amounted to \$5,575 and \$5,414 for the years ended December 31, 2008 and 2007, respectively.

8. OPERATING LEASE

The Organization leases office space on a month-to-month basis from the City of Scottsburg. Rent expense under this lease was \$3,600 for each of the years ended December 31, 2008 and 2007.

9. MANAGEMENT'S PLANS REGARDING CONTINUED OPERATIONS

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Organization as a going concern. However, the Organization has sustained recurring operating losses and has deficit net assets at December 31, 2008. Future operations of the Organization are intended to continue.

Future plans to ensure the continued operations of the Organization include seeking grant money from both local governments within Scott County as well as other sources.

The Organization's continued existence is dependent on its ability to achieve profitable operations and positive cash flows.

SUPPLEMENTARY INFORMATION

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

SCHEDULES OF EXPENSES YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Staff salaries and wages	\$ 94,127	\$ 80,207
Payroll taxes	10,253	9,313
Pension and profit sharing	5,575	5,414
Rent	3,600	3,600
Marketing	3,249	12,569
Travel	4,101	954
Business meals and entertainment	4,559	5,902
Depreciation	141	153
Repairs and maintenance	1,583	1,362
Office supplies and postage	2,490	1,661
Telephone	4,686	4,898
Dues and subscriptions	2,177	2,270
Professional services	8,380	4,925
Conferences and meetings	3,307	2,460
Insurance	14,581	12,424
Storage rental	315	256
Program expenses - other	2,339	3,271
Software upgrades	1,089	-0-
Miscellaneous	8,874	392
	<u>\$ 175,426</u>	<u>\$ 152,031</u>

See Report of Independent Auditors on page 1.