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May 8, 2008

Board of Directors
Small Business Development Center, Inc.
500 South A. St., P.O. Box 1919
Richmond, IN 47375

We have reviewed the audit report prepared by Ramsey, Rodefeld, Kassens & North, LLP, 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 Small Business Development Center, Inc., 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.

STATE BOARD OF ACCOUNTS

**ECONOMIC DEVELOPMENT CORPORATION
OF WAYNE COUNTY, INDIANA**

Financial Statements
Years Ended December 31, 2006
With Supplementary Information

Ramsey, Rodefald, Kassens & North, LLP
CPAs and Business Advisors
808 South A Street, Suite 1
Richmond, IN 47374

**ECONOMIC DEVELOPMENT CORPORATION
OF WAYNE COUNTY, INDIANA**

Table of Contents

| | Page |
|--|----------------|
| Independent Auditor's Report | 1 |
| Financial Statement | |
| Statement of cash receipts and expenditures | 2 |
| Notes to financial statement | 3 - 8 |
| Independent Auditor's 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> | 9 - 10 |
| Supplementary Information | |
| Independent auditor's report on supplementary information | 11 |
| Analysis of 2006 budgeted operating fund expenditures | 12 - 13 |



Independent Auditor's Report

To the Board of Directors
Economic Development Corporation
of Wayne County, Indiana
Richmond, Indiana 47374

We have audited the accompanying statement of cash receipts and expenditures of the Economic Development Corporation of Wayne County, Indiana (a nonprofit organization) as of December 31, 2006. This financial statement is the responsibility of the Organization's management. Our responsibility is to express an opinion on this financial statement 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 statement of cash receipts and expenditures is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of cash receipts and expenditures. 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 audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement has been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and expenditures of the Economic Development Corporation of Wayne County, Indiana as of December 31, 2006, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2007, on our consideration of Economic Development Corporation of Wayne County, Indiana'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.

Ramsey, Rodefeld, Kassens & North, LLP

June 19, 2007

**ECONOMIC DEVELOPMENT CORPORATION
OF WAYNE COUNTY, INDIANA**
Statement of Cash Receipts and Expenditures
(See Independent Auditor's Report)
Year Ended December 31, 2006

| | Operating Fund | Discretionary Project Fund | Other Fund | Small Business Development Center | Escrow Fund | Grant Administration Fund | Total |
|--|-------------------|----------------------------------|---------------|--|----------------|---------------------------------|-------------------|
| Cash Receipts | | | | | | | |
| EDIT funds | \$ 699,982 | \$ 200,000 | | | | | \$ 899,982 |
| Public support | | | | \$ 125,167 | | | 125,167 |
| Interest income | 5,133 | 11,010 | \$ 16 | | | \$ 125 | 16,284 |
| In-kind contributions | | | | 23,439 | | | 23,439 |
| Miscellaneous income | 2,539 | | | | | 20,000 | 22,539 |
| | <u>707,654</u> | <u>211,010</u> | <u>16</u> | <u>148,606</u> | <u>\$ -</u> | <u>20,125</u> | <u>1,087,411</u> |
| Expenditures | | | | | | | |
| 2006 disbursements and encumbrances | 613,852 | 97,568 | | | | | 711,420 |
| 2006 SBDC disbursements | | | | 168,146 | | | 168,146 |
| | <u>613,852</u> | <u>97,568</u> | <u>-</u> | <u>168,146</u> | <u>-</u> | <u>-</u> | <u>879,566</u> |
| Excess of cash receipts over expenditures | <u>\$ 93,802</u> | <u>\$ 113,442</u> | <u>\$ 16</u> | <u>\$ (19,540)</u> | <u>\$ -</u> | <u>\$ 20,125</u> | <u>\$ 207,845</u> |

See notes to financial statement.

**ECONOMIC DEVELOPMENT CORPORATION
OF WAYNE COUNTY, INDIANA
Notes to Financial Statement
(See Independent Auditor's Report)**

Note 1 - Summary of Significant Accounting Policies

Nature of Operations

Economic Development Corporation of Wayne County, Indiana (EDC) was incorporated as a not-for-profit organization in February 1993 under the laws of the State of Indiana and commenced operations in July 1993. Its primary purpose is to promote and support economic development, growth and expansion within the Wayne County, Indiana area. Beginning April 1, 2003, EDC became the sponsoring organization for the Small Business Development Center of Wayne County (SBDC).

Use of Estimates

The preparation of the statement of cash receipts and expenditures requires management to make estimates and assumptions that affect the reported amounts of the revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Fund Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts are maintained in accordance with the principles of fund accounting. Accordingly, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with the nature and purpose of such funds. The accounts are reported in the following self-balancing fund groups:

Operating funds include amounts available to support the operations of EDC. At December 31 of each year, all unexpended and unencumbered funds, together with any interest earned thereon, must be transferred by January 30 of the succeeding calendar year to the Wayne County Economic Development Income Tax (EDIT) Consolidated Fund Account.

Discretionary Project funds are to finance projects at EDC's discretion. The amount to be provided annually from Wayne County EDIT funds is \$200,000. However, amounts unexpended and unencumbered at each December 31, together with any interest earned thereon, must be transferred back to the EDIT Consolidated Fund Account by January 30 of the succeeding calendar year.

Small Business Development Center funds include amounts available to support the operations of the SBDC program.

Escrow funds include earnest money held in escrow for various parties pending the completion of property sales.

Basis of Accounting

The accompanying financial statement has been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Expenditures include encumbered expenditures for which funds were not disbursed or returned to the EDIT Consolidated Fund Account during the year.

**ECONOMIC DEVELOPMENT CORPORATION
OF WAYNE COUNTY, INDIANA
Notes to Financial Statement
(See Independent Auditor's Report)**

Note 1 (continued)

Cash and Cash Equivalents

Cash consists of money held in checking and money market accounts. EDC considers all short-term debt securities purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents held by EDC at December 31, 2006.

Income Taxes

EDC is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. EDC is not considered to be a private foundation.

Property and Equipment

Equipment purchases and capital project expenditures are expensed as incurred. All EDC property and equipment is to be transferred to Wayne County upon termination of the contract (discussed further in Note 2). Title for all SBDC equipment is considered held by federal and state governmental grantors. As of December 31, 2006, the SBDC program used and maintained equipment with a total original cost of approximately \$28,138.

Note 2 - Cash Receipts

EDC is primarily funded by a portion of the Wayne County Economic Development Income Tax (EDIT) on the adjusted gross income of county taxpayers pursuant to the provisions of Indiana tax law. These funds are received through a contract with the County Council of Wayne County, Indiana and the Board of Commissioners of Wayne County, Indiana. This contract is for a period of four years commencing January 1, 2005 and continuing through December 31, 2008. As provided by the existing contract with the Wayne County Commissioners, within 30 days of termination of the contract, EDC must transfer all of its assets to Wayne County, including all unexpended and encumbered funds.

SBDC is primarily funded by grants. Grant revenue is recognized when received. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. Public Support consisted of the following for the year ended December 31, 2006:

| | |
|---------------|-------------------|
| Federal grant | \$ 74,448 |
| State grant | 28,219 |
| Local support | <u>22,500</u> |
| | <u>\$ 125,167</u> |

**ECONOMIC DEVELOPMENT CORPORATION
OF WAYNE COUNTY, INDIANA
Notes to Financial Statement
(See Independent Auditor's Report)**

Note 3 - In-kind Contributions

SBDC receives in-kind contributions from various organizations. The estimated fair market values of certain in-kind donations are recorded as an expenditure in its financial statement for the year ended December 31, 2006 as follows:

| | |
|---------------|------------------|
| Support staff | \$ 3,090 |
| Copying | 915 |
| Postage | 594 |
| Office rent | <u>18,840</u> |
| | <u>\$ 23,439</u> |

Note 4 - Pension Plan

EDC has a simplified employee pension plan. Contributions to the plan are made for all employees who are at least twenty-one years of age with at least ninety days of service. Contributions are five percent of each employee's total compensation. Payments under this plan were \$5,670 during 2006.

Note 5 - Analysis of Project Discretionary Fund Expenditures

Expenditures (including encumbered expenditures) were made during the year ended December 31, 2006, from the Project Discretionary Funds to the following:

| | |
|---|------------------|
| Taconic Farms, Inc. | \$ 26,469 |
| Howa USA | 28,089 |
| Indiana University | 50,000 |
| Wayne Bank and Trust | 10 |
| Steve Slonaker (voided check from 2005) | <u>(7,000)</u> |
| | <u>\$ 97,568</u> |

**ECONOMIC DEVELOPMENT CORPORATION
OF WAYNE COUNTY, INDIANA
Notes to Financial Statement
(See Independent Auditor's Report)**

Note 6 - Analysis of Small Business Development Center Expenditures

Expenditures for SBDC for the year ended December 31, 2006 were as follows:

| | |
|------------------------------|-------------------|
| Salaries and wages | \$ 101,905 |
| Payroll taxes | 7,965 |
| Group insurance and benefits | 19,655 |
| Training | 130 |
| Office rent | 19,913 |
| Equipment | 2,203 |
| Computer software | 155 |
| Supplies | 405 |
| Copying | 915 |
| Postage | 595 |
| Advertising | 150 |
| Telephone | 2,927 |
| In-state mileage | 4,981 |
| Out-of-state mileage | 2,357 |
| In-state meetings | 1,740 |
| Dues and subscriptions | <u>2,150</u> |
| | <u>\$ 168,146</u> |

Note 7 - Leases

EDC is obligated under various operating leases for office space, equipment and a van that expire at various dates over the next two years. Payments under these leases were \$73,563 for the year ended December 31, 2006.

SBDC leased office space from the Richmond-Wayne County Chamber of Commerce, Inc. for \$1,273 per month, of which \$200 per month was an in-kind contribution. The lease expired December 31, 2005. The final lease payment was made to the Richmond-Wayne County Chamber of Commerce in January 2006.

Future minimum lease payments for the EDC over the next five years are as follows:

| | |
|------|-----------|
| 2007 | \$ 62,974 |
| 2008 | 53,668 |
| 2009 | - |
| 2010 | - |
| 2011 | - |

**ECONOMIC DEVELOPMENT CORPORATION
OF WAYNE COUNTY, INDIANA
Notes to Financial Statement
(See Independent Auditor's Report)**

Note 7 (continued)

Additionally, EDC entered into a discretionary project lease agreement with the City of Richmond to develop 382.425 acres as an industrial park. In 2001, an additional 166.739 acres was added to the lease. The term of the lease expires December 31, 2008, and the EDC agreed to pay \$10 for the term of the lease. In the event that the property is sublet, the rent payable shall increase in an amount which is equivalent to that paid to EDC. During the term of the lease, EDC shall have a right to purchase any part of the leased property. The purchase price is to be agreed upon by both parties. In May of 2003, EDC sublet the leased property to Tom Hutchings, farmer. That lease expires December 31, 2007. The acreage is rented subject to the right to develop the industrial park. Acreage is removed from the lease as developed. During the year ended December 31, 2006, EDC collected a total of \$36,694 in rent which was forwarded to the City of Richmond.

In 2003, EDC entered into a lease agreement with Whitewater Economic Development Corporation of Indiana to lease the Gateway Industrial Park for \$10 for 10 years.

Note 8 - Cash

Cash balances at December 31, 2006 were as follows:

| | Operating Fund | Discretionary Project Fund | Other Fund | Small Business Development Center | Escrow Fund | Grant Administration Fund |
|---------------------------------------|-------------------|----------------------------------|-----------------|--|------------------|---------------------------------|
| Office petty cash fund | \$ 50 | | | | | |
| Wayne Bank checking account xx055 | 39,028 | | | | | |
| Wayne Bank checking account xx170 | 56,251 | | | | | |
| US Bank checking account | 673 | | | | | |
| Wayne Bank money market account xx688 | | | \$ 1,104 | | | |
| Wayne Bank checking account xx357 | | | | | \$ 13,500 | |
| Wayne Bank checking account xx644 | | | | \$ 495 | | |
| Wayne Bank checking account xx283 | | \$ 167,101 | | | | |
| First Bank checking account | | | | | | \$ 26,206 |
| | <u>\$ 96,002</u> | <u>\$ 167,101</u> | <u>\$ 1,104</u> | <u>\$ 495</u> | <u>\$ 13,500</u> | <u>\$ 26,206</u> |

**ECONOMIC DEVELOPMENT CORPORATION
OF WAYNE COUNTY, INDIANA
Notes to Financial Statement
(See Independent Auditor's Report)**

Note 9 - Analysis of Cash

The following is an analysis of the cash accounts as of December 31, 2006:

| | Operating Fund | Discretionary Project Fund | Other Fund | Small Business Development Center | Escrow Fund | Grant Administration Fund | Total |
|--|-------------------|----------------------------------|-----------------|--|------------------|---------------------------------|-------------------|
| Excess of cash receipts over expenditures | \$ 93,802 | \$ 113,442 | \$ 16 | \$ (19,540) | \$ - | \$ 20,125 | \$ 207,845 |
| Items affecting cash | | | | | | | |
| 2004 funds returned to the county in 2006 | | (44,223) | | | | | (44,223) |
| 2005 funds returned to the county in 2006 | (77,730) | (83,314) | | | | | (161,044) |
| 2005 encumbered expenditures paid in 2006 | | (24,428) | | | | | (24,428) |
| 2006 encumbered expenditures not yet paid | | | | | | | - |
| Total increase (decrease) in cash | 16,072 | (38,523) | 16 | (19,540) | - | 20,125 | (21,850) |
| Cash, beginning of year | 79,930 | 205,624 | 1,088 | 20,035 | 13,500 | 6,081 | 326,258 |
| Cash, end of year | <u>\$ 96,002</u> | <u>\$ 167,101</u> | <u>\$ 1,104</u> | <u>\$ 495</u> | <u>\$ 13,500</u> | <u>\$ 26,206</u> | <u>\$ 304,408</u> |

Note 10 - Concentration of Credit Risk for Cash Held in Bank

EDC has cash balances, at times, in excess of the federally insured limit.

Note 11 - Subsequent Event

The EDC will no longer be the sponsoring organization for the Small Business Development Center effective summer of 2007.



**Independent Auditor's 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
Economic Development Corporation
of Wayne County, Indiana
Richmond, Indiana 47374

We have audited the statement of cash receipts and expenditures of the Economic Development Corporation of Wayne County, Indiana (a nonprofit organization) for the year ended December 31, 2006, and have issued our report thereon dated June 19, 2007. In our report, our opinion was qualified because the financial statement has been prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. 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 Economic Development Corporation of Wayne County, Indiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Economic Development Corporation of Wayne County, Indiana's financial statement is 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 Board of Directors, management, the Indiana Economic Development Council, the Indiana Small Business Development Center 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.

Ramsey, Rodefeld, Kassens & North, LLP

June 19, 2007

Supplementary Information



**Independent Auditor's Report on
Supplementary Information**

To the Board of Directors
Economic Development Corporation
of Wayne County, Indiana
Richmond, Indiana 47374

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, for the purpose of forming an opinion on the statement of cash receipts and expenditures of the Economic Development Corporation of Wayne County, Indiana taken as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the statement of cash receipts and expenditures. Such information has been subjected to the auditing procedures applied in the audit of the statement of cash receipts and expenditures and, in our opinion, is fairly stated in all material respects in relation to the statement of cash receipts and expenditures taken as a whole.

Ramsey, Rodefeld, Kassens & North, LLP

June 19, 2007

**ECONOMIC DEVELOPMENT CORPORATION
OF WAYNE COUNTY, INDIANA**
Analysis of 2006 Budgeted Operating Fund Expenditures
(See Independent Auditor's Report on Supplementary Information)
Year ended December 31, 2006

| <u>County Account Number</u> | | <u>Disbursements and Encumbrances</u> | <u>Budget</u> | <u>Budget Variance</u> |
|--------------------------------------|---------------------------------------|---|----------------|----------------------------|
| Personnel Services | | | | |
| 1001 | Salaries | \$ 268,348 | \$ 284,102 | \$ 15,754 |
| 1348 | Temporary help | | | - |
| 1365 | Federal payroll taxes | 21,297 | 21,297 | - |
| 1366 | Retirement | 5,670 | 7,408 | 1,738 |
| 1367 | Employee health insurance | 15,082 | 17,500 | 2,418 |
| 1368 | Unemployment tax | 1,424 | 1,450 | 26 |
| 1369 | Long-term disability | 602 | 1,000 | 398 |
| | | <u>312,423</u> | <u>332,757</u> | <u>20,334</u> |
| Supplies | | | | |
| 2211 | Office supplies | 3,047 | 3,500 | 453 |
| 2212 | Printed office supplies | 5,689 | 6,000 | 311 |
| 2215 | Equipment supplies | | 250 | 250 |
| 2221 | Gasoline | 1,421 | 1,934 | 513 |
| 2232 | Garage and motor supplies | 26 | 250 | 224 |
| 2227 | Telephone parts | | 200 | 200 |
| 2228 | Computer parts | 145 | 200 | 55 |
| 2229 | Other supplies | 116 | 250 | 134 |
| 2247 | Reference books | 566 | 566 | - |
| 2249 | In-house supplies | 793 | 900 | 107 |
| | | <u>11,803</u> | <u>14,050</u> | <u>2,247</u> |
| Other Services and Charges | | | | |
| 3312 | Legal services | 25,657 | 27,000 | 1,343 |
| 3320 | Contractual/professional services | 33,005 | 60,600 | 27,595 |
| 3321 | Postage and freight | 3,544 | 4,000 | 456 |
| 3323 | Travel, lodging and meals | 24,501 | 27,296 | 2,795 |
| 3324 | Communication - phone, cell, internet | 9,509 | 12,000 | 2,491 |
| 3343 | Vehicle insurance | 934 | 1,600 | 666 |
| 3392 | Advertising and public relations | 66,189 | 80,300 | 14,111 |
| 3342 | Insurance - workmen's compensation | 1,141 | 1,600 | 459 |
| 3346 | Insurance - liability | 2,926 | 3,200 | 274 |
| 3349 | Insurance - general | 478 | 600 | 122 |

**ECONOMIC DEVELOPMENT CORPORATION
OF WAYNE COUNTY, INDIANA**

**Analysis of 2006 Budgeted Operating Fund Expenditures (continued)
(See Independent Auditor's Report on Supplementary Information)
Year ended December 31, 2006**

| <u>County Account Number</u> | <u>Disbursements and Encumbrances</u> | <u>Budget</u> | <u>Budget Variance</u> |
|--|---|-------------------|----------------------------|
| Other Services and Charges (continued) | | | |
| 3350 Insurance - umbrella, miscellaneous | \$ 375 | \$ 425 | \$ 50 |
| 3351 Utilities | 2,504 | 2,600 | 96 |
| 3362 Maintenance and repair - equipment | 400 | 550 | 150 |
| 3368 Outside services - cleaning, etc. | 3,395 | 3,400 | 5 |
| 3310 Vehicle lease | 8,100 | 8,200 | 100 |
| 3371 Rent - equipment | 9,404 | 11,000 | 1,596 |
| 3374 Rent - building, structures | 56,059 | 57,500 | 1,441 |
| 3373 Programming and consultation | 3,893 | 6,500 | 2,607 |
| 3381 Dues, subscriptions and fees | 26,938 | 30,500 | 3,562 |
| 3389 Staff training and education | 2,267 | 5,300 | 3,033 |
| 3395 Contingencies | 908 | 1,000 | 92 |
| | <u>282,127</u> | <u>345,171</u> | <u>63,044</u> |
| Capital Outlays | | | |
| 4440 Office equipment | | 345 | 345 |
| 4445 Office equipment - computers | 7,499 | 7,659 | 160 |
| | <u>\$ 613,852</u> | <u>\$ 699,982</u> | <u>\$ 86,130</u> |