



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B34625

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

June 24, 2009

Board of Directors
Morgan County Economic
Development Corporation
4 E. Harrison St., P.O. Box 606
Mooresville, IN 46158

We have reviewed the audit report prepared by Larry E. Nunn & Associates, LLC, Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. 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, 2007, 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. Pages 12 and 13 contain one current audit finding.

STATE BOARD OF ACCOUNTS

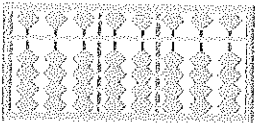
**MORGAN COUNTY ECONOMIC
DEVELOPMENT CORPORATION**

FINANCIAL STATEMENTS

Years Ended December 31, 2007 and 2006

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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, 2007 and 2006, 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 audit.

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, 2007 and 2006, 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 March 4, 2008, 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
March 4, 2008

MORGAN COUNTY ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 315,163	\$ 360,283
Accounts receivable	12,850	7,350
Prepaid expenses	3,327	3,266
Land option costs	10,600	-
Office equipment, net	<u>12,679</u>	<u>7,509</u>
Total assets	<u>\$ 354,619</u>	<u>\$ 378,408</u>
LIABILITIES		
Accounts payable	\$ 587	\$ 4,720
Accrued wages	2,163	2,084
Payroll taxes payable	3,912	4,454
Unearned revenue	<u>-</u>	<u>50,000</u>
Total liabilities	6,662	61,258
NET ASSETS		
Unrestricted	<u>347,957</u>	<u>317,150</u>
Total liabilities and net assets	<u>\$ 354,619</u>	<u>\$ 378,408</u>

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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
REVENUES		
Dues	\$ 190,829	\$ 219,000
Contributions	2,000	5,000
Plat fees	19,750	17,050
Grants	6,000	-
Donation-in-kind	14,101	14,101
Interest income	14,426	12,621
Miscellaneous income	2,004	500
	<hr/>	<hr/>
Total revenues	249,110	268,272
OPERATING EXPENSES	<hr/>	<hr/>
	218,303	234,247
Change in net assets	30,807	34,025
NET ASSETS - beginning of the year	<hr/>	<hr/>
	317,150	283,125
NET ASSETS - end of year	<hr/> <hr/>	<hr/> <hr/>
	\$ 347,957	\$ 317,150

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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 30,807	\$ 34,025
Adjustments to reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	2,157	444
Decrease (Increase) in:		
Accounts receivable	(5,500)	117,950
Prepaid expenses	(61)	(1,177)
Increase (Decrease) in:		
Accounts payable	(4,133)	4,316
Accrued wages	79	(94)
Payroll taxes payable	(542)	885
Unearned revenue	(50,000)	50,000
	(27,193)	206,349
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of fixed assets	(7,327)	(7,185)
Land development costs	(10,600)	-
	(17,927)	(7,185)
Net Increase (Decrease) in Cash and Cash Equivalents	(45,120)	199,164
CASH AND CASH EQUIVALENTS - Beginning of Year	360,283	161,118
CASH AND CASH EQUIVALENTS - End of Year	\$ 315,163	\$ 360,282

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

MORGAN COUNTY ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

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 follows Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Centers," and SFAS No. 116, "Accounting for Contributions Received and Contributions Made". 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.

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 SFAS No. 116, 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, 2007 and 2006

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 in Morgan County and 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, 2007 and 2006

Note 2 - MEMBERSHIP (continued)

	<u>Board of Directors</u>	<u>Executive Committee</u>
Martinsville	1	1
Mooresville	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 Mooresville 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, 2007 and 2006, the Corporation had balances which were in excess of the FDIC limit by approximately \$315,000 and \$360,000, respectively; however, the financial institution has additional collateralization for the Corporation deposits in the amount of \$299,000 and \$346,000, respectively.

Note 4 – ACCOUNTS RECEIVABLE AND UNEARNED REVENUE

Accounts receivable consisted of the following as of December 31:

	2007	2006
Corporate member	\$ 6,850	\$ 4,000
Plat Fees	<u>6,000</u>	<u>3,350</u>
Totals	<u>\$12,850</u>	<u>\$ 7,350</u>

Note 5 – 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.

MORGAN COUNTY ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

Note 6 – OFFICE EQUIPMENT

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

	2007	2006
Computer equipment	\$ 3,640	\$ 2,260
Office furniture	<u>13,132</u>	<u>7,185</u>
Totals - at cost	16,772	9,445
Less accumulated depreciation	<u>4,093</u>	<u>1,936</u>
Net office equipment	\$ <u>12,679</u>	\$ <u>7,509</u>

Note 7 – 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, 2007 and 2006 was \$1,088 and \$840, respectively.

Future minimum lease payments due under non-cancelable operating leases for years ending as of December 31 are as follows:

2008	840
2009	<u>420</u>
	\$ <u>1,260</u>

Note 8 - EXISTENCE OF CONCENTRATION IN REVENUES RECEIVED

The Corporation received approximately 20%, 20% and 20% of its revenues from Morgan County Commissioners, City of Martinsville and Town of Mooresville for the years ended December 31, 2007 and 2006, 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.

Note 9 – DONATION-IN-KIND

The Corporation was provided furnished office space by the Town of Mooresville for the years ended December 31, 2007 and 2006 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.

MORGAN COUNTY ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

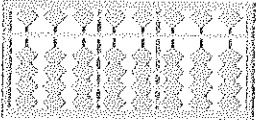
Note 10 – LAND OPTIONS

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 15th 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.

SUPPLEMENTAL INFORMATION

MORGAN COUNTY ECONOMIC DEVELOPMENT CORPORATION
SCHEDULES OF OPERATING EXPENSES
For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Salaries	\$ 117,431	\$ 114,226
Payroll taxes	9,785	9,560
Employee benefits	13,063	15,569
Total personnel costs	<u>140,279</u>	<u>139,355</u>
Advertising and promotions	23,748	33,872
Auto expenses	8,238	4,056
Computer equipment	20	574
Consulting fees	4,360	-
Contributions	773	600
Depreciation	2,157	443
Dues and subscriptions	424	14,758
Equipment lease	1,088	840
Insurance	1,137	1,115
Licenses and fees	7	-
Meals and entertainment	5,868	4,697
Membership	-	400
Miscellaneous	50	119
Office supplies	720	1,184
Postage	269	275
Professional fees	5,075	4,812
Registration	895	1,205
Rent	14,101	14,101
Repairs and maintenance	-	564
Telephone	1,068	609
Training	687	-
Travel	7,339	10,668
Total operating expenses	<u>\$ 218,303</u>	<u>\$ 234,247</u>



From Vision to Solution

**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, 2007, and have issued our report thereon dated March 4, 2008. 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.

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.

Amy E. Hume & Associates, LLC

Plainfield, Indiana
March 4, 2008