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June 29, 2009

Board of Directors  
Tipton County Economic  
Development Corporation  
136 E. Jefferson St.  
Tipton, IN 46072

We have reviewed the audit report prepared by Bucheri McCarty & Metz, LLP, Independent Public Accountants, for the period January 1, 2006 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 Tipton County Economic Development Corporation, as of December 31, 2007 and 2006, and the results of its operations for the periods 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. The management letters contain five comments.

STATE BOARD OF ACCOUNTS

Financial Statements  
and Other Financial Information

TIPTON COUNTY ECONOMIC  
DEVELOPMENT CORPORATION

*December 31, 2007 and 2006*

TIPTON COUNTY ECONOMIC DEVELOPMENT CORPORATION  
Financial Statements and Other Financial Information

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# BUCHERI McCARTY & METZ LLP

Certified Public Accountants | Consultants

*Charting the Course*

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Tipton County Economic Development Corporation  
Kokomo, Indiana

We have audited the accompanying statements of financial position of Tipton County Economic Development 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 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 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 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 aspects, the financial position of Tipton 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of program and supporting service expenses on pages 11 and 12 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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.

July 28, 2008

BUCHERI MCCARTY & METZ LLP  
Certified Public Accountants

TIPTON COUNTY ECONOMIC DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2007 and 2006

	ASSETS	
	<u>2007</u>	<u>2006</u>
Operating Assets		
Cash and cash equivalents	\$ 36,079	\$ 17,135
Prepaid expenses	<u>1,517</u>	<u>1,517</u>
Total operating assets	<u>37,596</u>	<u>18,652</u>
Fixed Assets		
Land	95,832	95,832
Furniture, fixtures and equipment	16,559	26,323
Improvements	<u>31,542</u>	<u>31,542</u>
	143,933	153,697
Less accumulated depreciation	( 31,744)	( 37,976)
Total fixed assets	<u>112,189</u>	<u>115,721</u>
Total Assets	<u>\$149,785</u>	<u>\$134,373</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 478	\$ 1,206
Payroll taxes payable	2,433	3,161
Capital lease payable	<u>3,617</u>	<u>4,919</u>
Total liabilities	<u>6,528</u>	<u>9,286</u>
Unrestricted Net Assets	<u>143,257</u>	<u>125,087</u>
Total Liabilities and Net Assets	<u>\$149,785</u>	<u>\$134,373</u>

See accompanying notes.

TIPTON COUNTY ECONOMIC DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Public Support, Revenues and Gains		
Public support		
City of Tipton	\$ 50,000	\$ 45,000
Tipton County	65,000	59,100
Contributions	26,431	28,893
Contributed use of facility	4,050	4,800
Special events, net	7,280	6,279
Total public support	<u>152,761</u>	<u>144,072</u>
Revenues		
Grant administration fees	9,108	7,039
Miscellaneous income	855	1,076
Total revenues	<u>9,963</u>	<u>8,115</u>
Total Public Support and Revenues	<u>162,724</u>	<u>152,187</u>
Expenses and Losses		
Loss on asset disposal	876	--
Program services	115,829	120,287
Management, general and fund-raising	27,849	28,921
Total expenses	<u>144,554</u>	<u>149,208</u>
Change in Net Assets	18,170	2,979
Net Assets, Beginning of Period	<u>125,087</u>	<u>122,108</u>
Net Assets, End of Period	<u>\$143,257</u>	<u>\$125,087</u>

See accompanying notes.

TIPTON COUNTY ECONOMIC DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash Flows From Operating Activities		
Change in net assets	\$18,170	\$ 2,979
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	2,656	2,954
Loss on disposal of assets	876	--
Increase (decrease) in:		
Accounts payable	( 728)	408
Other current liabilities	( 728)	1,204
Net cash provided by operating activities	<u>20,246</u>	<u>7,545</u>
Cash Flows From Financing Activities		
Payments on long-term debt	( 1,302)	( 727)
Net cash provided (used) by investing activities	( 1,302)	( 727)
Net Increase in Cash	18,944	6,818
Cash, Beginning of the Year	<u>17,135</u>	<u>10,317</u>
Cash, End of the Year	<u>\$36,079</u>	<u>\$17,135</u>

See accompanying notes.

TIPTON COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

Tipton County Economic Development Corporation (TCEDC) is a not-for-profit corporation that was established in 1986, to promote economic development, increase the number of available employment opportunities, enhance the strength of the business sector, and create economic stability in Tipton County. The Internal Revenue Service has ruled that the agency is exempt from payment of federal income tax under the provisions of Section 501(c)(6) of the Internal Revenue Code.

B. BASIS OF ACCOUNTING

The financial statements of TCEDC have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

C. CLASSES OF NET ASSETS

The financial statements report amounts separately by class of net assets:

- a) Unrestricted net assets are those currently available at the discretion of the board for use in the organization's operations and those resources invested in property and equipment.
- b) Temporarily restricted amounts are those that are designated for future periods or restricted by the donor for specific purposes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted.
- c) Permanently restricted amounts are those that are restricted by the donor.

D. FUNCTIONAL ALLOCATION OF EXPENSES

Expenses not identified with a specific functional area have been allocated to the various programs and supporting services based on the amount of staff time spent in the specific function.

TIPTON COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2007 and 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. PROPERTY AND EQUIPMENT

Fixed assets are stated at cost or estimated fair market value at date of contribution with depreciation provided over the estimated useful life of the assets on the straight-line method or the method allowable for federal income taxes which did not vary significantly from the straight-line method. Depreciation expense was \$2,656 and \$2,954 for 2007 and 2006, respectively. All fixed asset expenditures in excess of \$500 are capitalized at cost.

F. CONTRIBUTIONS

Contributions are considered available for unrestricted use unless specifically restricted by the donor. When restrictions are satisfied, revenues are reclassified and reported as net assets released from restrictions.

G. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. CASH AND CASH EQUIVALENTS

The organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE 2 - GOVERNMENT SUPPORT

TCEDC recognized \$50,000 and \$45,000 unrestricted support in 2007 and 2006, respectively, from the City of Tipton.

TCEDC recognized \$65,000 and \$59,100 unrestricted support in 2007 and 2006, respectively, from Tipton County.

The unrestricted support from both government entities is to aid the TCEDC in carrying out its endeavor to promote and assist in the development and growth of business concerns in the Tipton County area.

TIPTON COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2007 and 2006

NOTE 3 - CAPITAL LEASES

The TCEDC entered into a capital lease arrangement for a copy machine in 2006. The cost of the equipment under capital lease is \$5,646, and the accumulated depreciation is \$1,210 and \$403 as of December 31, 2007 and 2006. The depreciation for the equipment was \$807 and \$403 for 2007 and 2006. Future minimum lease payments under the capital lease are as follows:

Years Ending December 31

2008	\$1,755
2009	1,755
2010	<u>584</u>
Total minimum lease payments	4,094
Less amount representing interest	<u>( 477)</u>
Present value of net minimum lease payments	<u>\$3,617</u>

The lease stipulates a purchase option of \$1 at the end of the lease term.

NOTE 4 - LINE-OF-CREDIT

The organization has available a line-of-credit from Harris, NA. The line-of-credit has a \$50,000 limit with an outstanding balance of \$-0- at December 31, 2007 and 2006. The line matures annually and is available through February 6, 2008. Interest is payable monthly at the Harris N.A. prime rate.

NOTE 5 - OPERATING LEASES

Prior to 2007, the TCEDC was allowed use of office space at no cost. During 2007, the organization paid a less than fair market value rate of \$750 for the same office space. Estimated cost of finding similar office space in the area is approximately \$4,800 per year. Accordingly, rent expense is recorded at the fair market value of \$4,800 and \$4,800 for the years ending December 31, 2007 and 2006. The lease is currently renewable annually.

TIPTON COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 6 - CASH FLOW STATEMENT

Generally accepted accounting principles require the following additional disclosure to support the statement of cash flows:

	<u>2007</u>	<u>2006</u>
Cash paid during period for interest expense	<u>\$453</u>	<u>\$488</u>

Additional non-cash financing activity is summarized as follows:

	<u>2007</u>	<u>2006</u>
Equipment purchased	\$ --	\$5,646
Leases payable	<u>--</u>	<u>5,646</u>
Cash payment	<u>\$ --</u>	<u>\$ --</u>

NOTE 7 - RELATED PARTY TRANSACTIONS

The TCEDC has some common board members with the Tipton County Economic Development Foundation, Inc. (TCEDF). During 2007, TCEDC advanced \$8,000 to cover economic development related expenses of the TCEDF, and the amount was subsequently reimbursed in full, two months later.

NOTE 8 - EMPLOYEE BENEFIT PLANS

The organization has a SIMPLE IRA retirement plan for employees. TCEDC contributes a matching contribution each year up to a limit of 3% of the employee's compensation for the calendar year. All contributions are fully vested and nonforfeitable. Retirement plan contribution expenses were \$2,839 and \$2,734 for years ending December 31, 2007 and 2006.

NOTE 9 - ECONOMIC DEPENDANCY

The TCEDC received its support from two major sources during 2007 and 2006. Support from these two sources exceeded over 70% of total revenues. Revenues from the two sources totaled \$115,000 and \$104,100 for 2007 and 2006, respectively.

## **SUPPLEMENTAL SCHEDULES**

TIPTON COUNTY ECONOMIC DEVELOPMENT CORPORATION

PROGRAM AND SUPPORTING SERVICE EXPENSES

For the Year Ended December 31, 2007

	<u>Program</u>	<u>General, Management &amp; Fund Raising</u>	<u>2007 Total</u>
Salaries	\$ 76,299	\$18,345	\$ 94,644
Payroll taxes	6,061	1,457	7,518
Insurance	4,837	1,163	6,000
Retirement contributions	2,289	550	2,839
Total payroll and benefits	<u>89,486</u>	<u>21,515</u>	<u>111,001</u>
Marketing	2,979	716	3,695
Copy charges	273	66	339
Education	2,058	495	2,553
Insurance	2,832	681	3,513
Interest expense	365	88	453
Office supplies	551	133	684
Fund raising and annual meeting	1,836	441	2,277
Postage	2,233	537	2,770
Printing	1,786	429	2,215
Professional services	459	110	569
Rent	3,870	930	4,800
Utilities	1,309	315	1,624
Miscellaneous	658	158	816
Telephone	2,482	597	3,079
Travel	511	123	634
Total expenses before depreciation	<u>113,688</u>	<u>27,334</u>	<u>141,022</u>
Depreciation expense	2,141	515	2,656
Total expenses	<u>\$115,829</u>	<u>\$27,849</u>	<u>\$143,678</u>

TIPTON COUNTY ECONOMIC DEVELOPMENT CORPORATION

PROGRAM AND SUPPORTING SERVICE EXPENSES

For the Year Ended December 31, 2006

	<u>Program</u>	<u>General, Management &amp; Fund Raising</u>	<u>2006 Total</u>
Salaries	\$ 73,477	\$17,667	\$ 91,144
Payroll taxes	5,846	1,406	7,252
Insurance	4,581	1,101	5,682
Retirement contributions	<u>2,204</u>	<u>530</u>	<u>2,734</u>
Total payroll and benefits	86,108	20,704	106,812
Marketing	3,343	804	4,147
Copy charges	391	94	485
Audit fees	3,500	841	4,341
Education	1,519	365	1,884
Insurance	2,558	615	3,173
Interest expense	393	95	488
Office supplies	975	234	1,209
Fund raising and annual meeting	4,698	1,129	5,827
Postage	2,577	619	3,196
Printing	1,553	373	1,926
Professional services	625	150	775
Rent	3,870	930	4,800
Utilities	1,426	343	1,769
Miscellaneous	1,019	246	1,265
Telephone	2,590	623	3,213
Travel	<u>761</u>	<u>183</u>	<u>944</u>
Total expenses before depreciation	117,906	28,348	146,254
Depreciation expense	<u>2,381</u>	<u>573</u>	<u>2,954</u>
Total expenses	<u>\$120,287</u>	<u>\$28,921</u>	<u>\$149,208</u>



# BUCHERI McCARTY & METZ LLP

Certified Public Accountants | Consultants

*Charting the Course*

July 28, 2008

Board of Directors  
Tipton County Economic Development Corporation.  
Tipton, Indiana

In planning and performing our audit of the financial statements of the Tipton County Economic Development Corporation (TCEDC) as of and for the years ended December 31, 2007 and 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the TCEDC's internal control over financial reporting (internal control) as 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 Organization's internal control. Accordingly we do not express an opinion on the effectiveness of the Organization's internal control.

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

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 organization'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 organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the following deficiency to be significant deficiency in internal control.

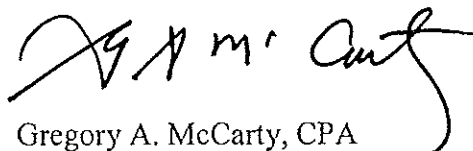
Segregation of Duties – Due to the limited number of employees, many critical duties are combined and performed by the Executive Assistant. Presently the Executive Assistant prepares checks, reconciles the bank account, performs all payroll duties, maintains the general ledger, and prepares monthly board reports. We suggest that the board designate a member or several members to review the monthly bank reconciliations and perform a periodic internal audit of transactions in order to monitor activity. While we recognize that it is impracticable to achieve optimum segregation of duties, we believe that this will provide some level of compensating controls.

In addition, we noted several other matters involving the internal control and its operation that we have reported to the board of directors and management of the TCEDC in a separate letter dated July 28, 2008.

This communication is intended solely for the information and use of the board of directors, management, and others within the organization, and is not intended to be and should not be used by anyone other than the specified parties.

Sincerely,

BUCHERI McCARTY & METZ LLP

A handwritten signature in black ink, appearing to read "G. A. McCarty". The signature is fluid and cursive, with a long, sweeping tail that extends downwards and to the right.

Gregory A. McCarty, CPA

cc: William Keir  
Debbie Gillam



# BUCHERI McCARTY & METZ LLP

Certified Public Accountants | Consultants

*Charting the Course*

July 28, 2008

Board of Directors  
Tipton County Economic Development Corporation  
Tipton, Indiana

In planning and performing our audit of the financial statements of the Tipton County Economic Development Corporation for the years ended December 31, 2007 and 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration.

This letter does not affect our report July 28, 2008, on the financial statements of the Tipton County Economic Development Corporation. We will review the status of these comments during our next audit engagement. Our comments and recommendations are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience or assist you in implementing the recommendations.

- ❖ Cash: Securing Checks Received
  - During our audit we noted that donor remittances are being left unsecured overnight. We recommend that checks received be either deposited on the day received or securely locked away overnight.
- ❖ Cash: Safeguards Over Blank Checks
  - Blank checks are not adequately controlled at night increasing the risk of misappropriation of cash. We recommend that the blank checks be placed in a locked box or cabinet accessible only to those with proper authorization.
- ❖ Fraud Risks Understanding
  - During our audit, we noted a need for increased understanding of fraud risk and controls at the board level. The members of the board of directors are responsible for assessing fraud risk and implementing controls to address those risks. We recommend establishing a board committee responsible for assessing risks;

monitoring controls; and, reporting back to the full board on the status of fraud risks and controls within the organization.

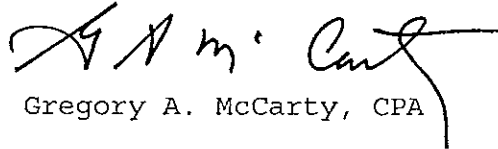
❖ Accrual Basis Accounting

- The year-end audited financial statements are prepared on an accrual basis of accounting in accordance with generally accepted accounting principles as required by the state bi-annually. We recognize that for interim reporting purposes cash basis financial statements are easier to produce and provide the board with meaningful information for monitoring monthly operations; however, we recommend, that accrual adjustments be posted each year-end for financial statements.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

BUCHERI MCCARTY & METZ LLP



Gregory A. McCarty, CPA

cc: William Keir  
Debbie Gillam