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January 28, 2010

Board of Directors
Starke County Development
Foundation, Inc. and its Related Entity
P.O. Box 53
Knox, IN 46534-0053

We have reviewed the audit report prepared by Swartz, Retson & Co., PC, Independent Public Accountants, for the period July 1, 2006 to June 30, 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 Starke County Development Foundation, Inc. and its Related Entity, as of June 30, 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.

STATE BOARD OF ACCOUNTS

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

STARKE COUNTY
DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY

JUNE 30, 2007 AND 2006

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

STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Starke County Development Foundation, Inc.
and its Related Entity

We have audited the accompanying consolidated statements of financial position of Starke County Development Foundation, Inc. and its related entity (Starke County Initiative for Lifelong Learning, Inc.) as of June 30, 2007 and 2006, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Starke County Development Foundation, Inc. and its related entity as of June 30, 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 audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental fair value information presented on pages 16-23 is presented for purposes of additional analysis and not as a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

Swartz-Retson & Co. P.C.

Merrillville, IN
January 21, 2008

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

**CONSOLIDATED BALANCE SHEETS
JUNE 30, 2007 AND 2006**

A S S E T S

	<u>2007</u>	<u>2006</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$1,013,959	\$ 943,246
Investments	100,000	00
Accounts Receivable – Other	39,861	54,383
Contracts Receivable	120,952	115,412
Mortgages Receivable – Current Portion	105,102	104,818
Inventory	584	584
Prepaid Expenses	<u>3,306</u>	<u>6,324</u>
Total Current Assets	<u>1,383,764</u>	<u>1,224,767</u>
 PROPERTY AND EQUIPMENT		
Land	169,729	169,727
Buildings	2,845,415	2,845,415
Equipment	<u>584,697</u>	<u>567,633</u>
	3,599,841	3,582,775
Less: Accumulated Depreciation	<u>956,623</u>	<u>825,767</u>
Total Property and Equipment – Net	<u>2,643,218</u>	<u>2,757,008</u>
 OTHER ASSETS		
Mortgages Receivable	281,937	387,039
Construction in Progress	1,168,042	00
Prepaid Interest and Loan Fees	<u>18,016</u>	<u>21,061</u>
Total Other Assets	<u>1,467,995</u>	<u>408,100</u>
 TOTAL ASSETS	 <u>\$5,494,977</u>	 <u>\$4,389,875</u>
	 LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES		
Current Portion Long-Term Liabilities	\$ 222,933	\$ 145,018
Accounts Payable	23,493	53,624
Accrued Expenses	26,849	25,965
Customer Deposits	90,000	00
Deferred Revenue – Other	<u>35,000</u>	<u>35,000</u>
Total Current Liabilities	398,275	259,607
 LONG TERM LIABILITIES		
Long-Term Debt, Net of Current Portion	<u>2,589,508</u>	<u>1,642,709</u>
 TOTAL LIABILITIES	 2,987,783	 1,902,316
 NET ASSETS		
Unrestricted	<u>2,507,194</u>	<u>2,487,559</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$5,494,977</u>	 <u>\$4,389,875</u>

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

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

**CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
REVENUES, GAINS AND OTHER SUPPORT		
Government Awards		
Consulting Contracts	\$ 256,878	\$ 238,462
Grant Income	258,836	329,200
Non-Cash Contributions	46,713	28,935
Building Rent	246,540	229,450
Repair Proceeds from Auto Tech Program	4,775	9,109
Class Fees and Books	10,338	23,785
Gain on Disposal of Asset	00	184,122
Interest	58,942	12,029
Miscellaneous	<u>11,252</u>	<u>12,640</u>
Total Revenues, Gains and Other Support	<u>894,274</u>	<u>1,067,732</u>
 EXPENSES		
Local Economic Development	164,133	185,996
Rental Buildings	198,656	154,017
Education Program	309,544	375,498
Administration	<u>202,306</u>	<u>83,270</u>
Total Expenses	<u>874,639</u>	<u>798,781</u>
 INCREASE IN NET ASSETS	 19,635	 268,951
 NET ASSETS - Beginning of Year	 <u>2,487,559</u>	 <u>2,218,608</u>
 NET ASSETS - End of Year	 <u>\$2,507,194</u>	 <u>\$2,487,559</u>

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

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 19,635	\$ 268,952
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	130,856	145,257
Non-Cash Expenditures	46,713	28,935
Non-Cash Contributions	(46,713)	(28,935)
(Gain) on Sale of Assets	00	(157,379)
(Increase) Decrease in:		
Contracts Receivable	(5,540)	(108,272)
Mortgages Receivable – Current Portion	(284)	(100,257)
Accounts Receivable – Other	14,521	(47,675)
Prepaid Expenses	3,019	688
Increase (Decrease) in:		
Accounts Payable	(30,092)	49,581
Accrued Expenses	845	(2,880)
Customer Deposits	90,000	00
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>222,960</u>	<u>48,015</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(100,000)	00
Issuance of Mortgage Notes Receivable	105,102	104,815
Purchase of Property and Equipment	(17,066)	(1,337,040)
Proceeds from Sale of Property and Equipment	00	214,905
Construction in Progress	(1,168,042)	00
Decrease in Prepaid Loan Fees	3,044	3,044
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(1,176,962)</u>	<u>(1,014,276)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Liabilities	(886,260)	(214,089)
Issuance of Long-Term Debt	1,910,975	1,147,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>1,024,715</u>	<u>932,911</u>
NET INCREASE (DECREASE) IN CASH	70,713	(33,350)
CASH AND CASH EQUIVALENTS – Beginning of Year	<u>943,246</u>	<u>976,596</u>
CASH AND CASH EQUIVALENTS – End of Year	<u>\$1,013,959</u>	<u>\$ 943,246</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
CASH PAID DURING THE YEAR FOR:		
Interest	\$ <u>106,608</u>	\$ <u>74,433</u>
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING TRANSACTION		
Acquisition of Donated Equipment	\$ <u>11,646</u>	\$ <u>13,745</u>

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

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007**

	Economic <u>Development</u>	Rental <u>Buildings</u>	Education	Program <u>Total</u>	Admini- <u>stration</u>	Total
FUNCTIONAL EXPENSES						
Director Wages	\$ 55,472	\$ 7,564	\$ 29,141	\$ 92,177	\$ 7,905	\$100,082
Staff Wages	24,821	3,385	13,778	41,984	4,013	45,997
Contracted Services	00	00	84,041	84,041	00	84,041
Planning Consultant	6,297	00	00	6,297	700	6,997
Benefits	8,266	1,127	36,306	45,699	2,955	48,654
Payroll Tax Expense	10,300	1,404	00	11,704	1,300	13,004
Telephone and Internet	4,053	501	4,006	8,560	211	8,771
Utilities	3,188	36	10,208	13,432	935	14,367
Repairs and Maintenance	3,619	494	7,748	11,861	952	12,813
Office Supplies	4,684	639	1,319	6,642	727	7,369
Class Books and Supplies	00	00	747	747	00	747
Postage	1,194	163	542	1,899	180	2,079
Advertising and Promotion	9,819	1,339	2,719	13,877	1,240	15,117
Entertainment and Meetings	2,901	396	00	3,297	366	3,663
Educational Management Fee	00	00	10,200	10,200	00	10,200
Conferences and Education	1,379	188	00	1,567	174	1,741
Legal and Accounting	14,865	2,027	00	16,892	5,419	22,311
Dues and Subscriptions	1,174	160	00	1,334	148	1,482
Travel	4,195	572	480	5,247	561	5,808
Cost of Sales Auto Tech Program	00	00	5,125	5,125	00	5,125
Computer Repairs and Supplies	00	00	5,037	5,037	321	5,358
Shop Supplies	00	00	32,368	32,368	00	32,368
Bad Debt Expense	00	00	883	883	56	939
Insurance	7,906	1,078	331	9,315	1,015	10,330
Depreciation	00	67,930	53,717	121,647	9,209	130,856
Interest Expense	00	109,653	00	109,653	00	109,653
Training	00	00	405	405	00	405
Miscellaneous	<u>161,449</u>	<u>00</u>	<u>10,443</u>	<u>171,892</u>	<u>2,470</u>	<u>174,362</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$325,582</u>	<u>\$198,656</u>	<u>\$309,544</u>	<u>\$833,782</u>	<u>\$ 40,857</u>	<u>\$874,639</u>

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

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Economic Development</u>	<u>Rental Buildings</u>	<u>Education</u>	<u>Program Total</u>	<u>Admini- stration</u>	<u>Total</u>
FUNCTIONAL EXPENSES						
Director Wages	\$ 50,598	\$ 6,900	\$ 00	\$ 57,498	\$ 6,389	\$ 63,886
Staff Wages	34,584	4,716	00	39,300	4,367	43,667
Contracted Services	00	00	189,447	189,447	21,050	210,496
Planning Consultant	5,135	00	00	5,135	571	5,706
Benefits	7,464	1,018	00	8,482	942	9,425
Payroll Tax Expense	10,302	1,405	00	11,707	1,301	13,007
Telephone and Internet	3,558	610	5,998	10,166	1,130	11,297
Utilities	4,820	826	8,124	13,770	1,530	15,300
Repairs and Maintenance	4,469	497	4,966	9,932	1,104	11,035
Office Supplies	7,650	510	2,040	10,200	1,133	11,333
Class Books and Supplies	00	00	22,930	22,930	00	22,930
Postage	678	301	527	1,506	167	1,674
Advertising and Promotion	11,114	1,010	505	12,629	1,403	14,033
Entertainment and Meetings	3,170	634	2,536	6,341	705	7,046
Educational Management Fee	00	00	10,200	10,200	00	10,200
Conferences and Education	1,479	202	00	1,680	187	1,867
Legal and Accounting	25,551	3,484	00	29,035	3,226	32,261
Dues and Subscriptions	828	113	00	941	105	1,046
Travel	5,759	785	00	6,545	727	7,272
Cost of Sales Auto Tech Program	00	00	7,095	7,095	00	7,095
Computer Repairs and Supplies	00	00	1,745	1,745	194	1,939
Shop Supplies	00	00	15,911	15,911	00	15,911
Insurance	8,252	1,375	4,125	13,752	1,528	15,280
Depreciation	00	55,198	82,797	137,994	7,263	145,257
Interest Expense	00	74,433	00	74,433	00	74,433
Training	00	00	3,576	3,576	00	3,576
Website Development	585	00	00	585	65	650
Loss on Disposal	00	00	00	00	26,741	26,741
Miscellaneous	00	00	12,976	12,976	1,442	14,418
TOTAL FUNCTIONAL EXPENSES	<u>\$185,996</u>	<u>\$154,017</u>	<u>\$375,498</u>	<u>\$715,511</u>	<u>\$ 83,270</u>	<u>\$798,781</u>

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

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying financial statements reflect the consolidated financial statements of Starke County Development Foundation, Inc. (the Foundation) and Starke County Initiative for Lifelong Learning, Inc. (SCILL). The by-laws for SCILL contain many items that indicate the Foundation has a controlling financial interest in SCILL. Among them:

- The only Member of SCILL is the Foundation.
- The business, property, and affairs of SCILL will be managed and controlled by the board of directors in accordance with policies established by the Member (the Foundation).
- Approval of the Member (the Foundation) is required for amending the by-laws, approving merger or reorganization, approving capital and operating budgets, and approving acquisition, sale, or lease of any property of SCILL.
- Directors of SCILL shall be appointed by the Member (the Foundation).
- The Foundation shall serve as the treasurer of SCILL.

Because the Foundation has a controlling financial interest in SCILL, and they are related through membership and common directors, they are considered interrelated and must present consolidated financial statements.

Nature of Activities

The Foundation is a not-for-profit organization exempt from income tax under Section 501(c)(6) of the U.S. Internal Revenue Code. The Foundation was formed in 1985 to assist in the creation, retention, and reinvestment of resources in Starke County, which increases the number of opportunities for its citizens and improves their quality of life. The Foundation meets the definition of a local economic development organization as defined under Indiana Code 4-4-24. The main sources of revenue for the Foundation consist of rents from industrial buildings and economic development funds from Starke County and its cities.

SCILL is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. SCILL was formed in 1997 to develop a program to upgrade the work skills of Starke County workers for the direct benefit of the workers to improve their standard of living and for the indirect benefit of all Starke County residents by providing a knowledgeable workforce to attract and keep employers in Starke County. SCILL provides classes in specific technologies, such as computer knowledge and repair and automotive repair. The educational program is managed by Ancilla College. The main sources of revenue for SCILL consist of county partnership funds and collection of fees for classes and books.

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Basis of Presentation

The Foundation has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization 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.

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with maturities of twelve months or less to be cash equivalents.

Investments

Investments consist of certificates of deposit with a maturity date greater than 90 days and are carried at cost.

Accounts Receivable

The Company maintains an allowance for doubtful accounts carried at an amount which bad accounts are reasonably expected not to exceed. Receivables are considered past due when payment is not received within the period allowed under terms of the sales. Periodically, the Company's management reviews past due receivables and allows for all accounts deemed uncollectible after all reasonable collection efforts have been exhausted.

Property and Equipment

Property, equipment and improvements are carried at cost. Depreciation and amortization expense is computed using straight-line and accelerated methods over the estimated useful life of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss resulting from the transactions is recognized as income for the period. The cost of repairs and maintenance is charged to income as incurred; significant renewals and betterments are capitalized. The depreciation expense for the years ended June 30, 2007 and 2006 was \$130,856 and \$145,257, respectively.

Third-Party Disbursement

Certain revenues are obtained under government programs. Amounts claimed are credited to income; however, final determination may vary because of the regulations pertaining to reimbursement. Differences in estimated amounts and actual settlements are reflected as charges and credits upon settlement or payment.

Use of Estimates

The financial statements include estimates and assumptions made by management that affect the carrying amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results may differ from those estimates.

Donated Material and Services

The Foundation records the value of donated goods or services when there is an objective basis available to measure their value. Donated materials are reflected in the accompanying statements at their estimated values at date of receipt. No amounts have been reflected in the financial statements for donated services. The Foundation pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Foundation with specific assistance programs and various committee assignments.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Advertising

Advertising costs are included in operating expenses and are expensed as incurred. Advertising expense was \$15,117 and \$14,033 for the years ended June 30, 2007 and 2006, respectively.

Reclassification

Certain reclassifications have been made to the June 30, 2006 financial statements in order for them to better compare to the June 30, 2007 financial statements.

NOTE 2 - CONCENTRATION OF CREDIT RISK AND GEOGRAPHIC AREA

The Foundation has concentrated its credit risk for cash by maintaining deposits in banks located within the same geographic region. The maximum loss that would have resulted from that risk totaled \$805,226 and \$632,310 at June 30, 2007 and 2006, respectively for the excess of cash balances over the amounts that would have been covered at each bank by federal insurance.

Credit risk for accounts, contracts, and notes receivable is concentrated as well because substantially all of the balances are receivable from individuals or organizations located within the same geographic region.

All revenue of the Foundation results from activity in the geographic area of Starke County, Indiana. This includes the buildings being rented to industry and the receipt of consulting contracts from Starke County, the City of Knox, and the towns of North Judson and Hamlet.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2007 and 2006 are summarized as follows:

<u>2007</u>	<u>Foundation</u>	<u>SCILL</u>	<u>Consolidated</u>
Land	\$ 169,729	\$ 00	\$ 169,729
Buildings	2,837,370	8,045	2,845,415
Furniture and Equipment	<u>47,103</u>	<u>537,594</u>	<u>584,697</u>
	3,054,202	545,639	3,599,841
Accumulated Depreciation	<u>498,176</u>	<u>458,447</u>	<u>956,623</u>
Total Property and Equipment	<u>\$2,556,026</u>	<u>\$ 87,192</u>	<u>\$2,643,218</u>
<u>2006</u>	<u>Foundation</u>	<u>SCILL</u>	<u>Consolidated</u>
Land	\$ 169,729	\$ 00	\$ 169,729
Buildings	2,837,370	8,045	2,845,415
Furniture and Equipment	<u>45,733</u>	<u>521,899</u>	<u>567,632</u>
	3,052,832	529,944	3,582,776
Accumulated Depreciation	<u>422,699</u>	<u>403,068</u>	<u>825,767</u>
Total Property and Equipment	<u>\$2,630,133</u>	<u>\$126,876</u>	<u>\$2,757,009</u>

Total depreciation expense was \$130,856 and \$145,257 for June 30, 2007 and 2006, respectively. Included in the Buildings category are buildings either currently rented or available to rent with a cost of \$2,622,603. Included in the Accumulated Depreciation category is \$259,037 relating to buildings currently rented or available for rent.

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

NOTE 4 - LONG-TERM LIABILITIES

Long-term liabilities consist of the following at June 30, 2007 and 2006 and 2005:

	<u>2007</u>	<u>2006</u>
Mortgage payable to First Source Bank, 5.00% interest, monthly installments of \$5,300, due April 2012, secured by real estate rented to industry. Additional payments on principal have been made and management expects the loan to be paid off in January 2010	\$ 161,159	\$ 210,325
Note to the City of Knox, 0% interest, monthly installments of \$395, due June 2012	228,310	233,050
Mortgage payable to First Source Bank, 5.50% interest, monthly installments of \$6,243, due April 2012, secured by real estate	477,998	523,858
Mortgage payable to First Source Bank, 6.10% interest, monthly installments of \$7,755 principal and interest, due December 2010, secured by real estate	776,931	820,494
Construction loan payable to First Source Bank, 5.60% interest, monthly installments of \$10,691 principal and interest, due August 2022, secured by real estate	1,168,043	00
Total Long-Term Liabilities	2,812,441	1,787,727
Less: Current Portion	<u>222,933</u>	<u>145,018</u>
Long-Term Liabilities - Net	<u>\$2,589,508</u>	<u>\$1,642,709</u>

Maturities of the long-term liabilities during the next five years are as follows:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2008	\$ 222,933
June 30, 2009	\$ 235,307
June 30, 2010	\$ 230,177
June 30, 2011	\$ 766,842
June 30, 2012	\$ 551,024
Thereafter	\$ 806,158

NOTE 5 - LEASES

The Foundation currently leases a building in the Hamlet Industrial Park under a ten-year operating lease for \$12,000 per month, which began in July 2004. Rental income from this property was \$144,000 and \$144,000 for fiscal years ended June 30, 2007 and 2006, respectively.

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 5 - LEASES CONTINUED

The Knox Fertilizer Building was leased for \$8,545 per month under a ten-year operating lease which began October 2005. Rental income for this property was \$102,540 and \$85,450 for the years ending June 30, 2007 and 2006, respectively.

The following is a schedule by years of future minimum rentals under leases in existence at June 30, 2007, without extension options:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2008	\$ 246,540
June 30, 2009	246,540
June 30, 2010	246,540
June 30, 2011	246,540
June 30, 2012	<u>246,540</u>
Total	<u>\$1,232,700</u>

NOTE 6 - RETIREMENT PLAN

The Foundation adopted a Simple IRA retirement plan covering eligible employees effective January 1, 2001. This plan provides for the contribution of 3% of employee compensation by the Foundation as well as elective employee deferrals, and replaces a deferred compensation plan previously maintained by the Foundation for key employees. Employer contributions to the plan were \$3,041 and \$2,866 for the years ended June 30, 2007 and 2006, respectively.

NOTE 7 - SCILL CENTER PROGRAM

The Foundation has joined with Starke County and Ancilla College to develop and operate the Starke County Initiative for Lifelong Learning (SCILL) Center. The SCILL Center is located in the Foundation's Building #2 and is an educational facility. The Center is training local people to meet the needs of local companies. The SCILL Center is meant to insure a viable, ever-improving workforce now and in the future.

The Foundation has provided the building to the SCILL Center free of rent and shares in the costs to run the Center with Starke County. The building is carried in property and equipment at \$190,580 and \$190,580 for the years ended June 30, 2007 and 2006, respectively, plus \$9,094 landscaping, and has accumulated depreciation totaling \$113,138 and \$106,042 for the years ending June 30, 2007 and 2006, respectively.

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006**

NOTE 7 - SCILL CENTER PROGRAM CONTINUED

Although no rent is charged to SCILL for use of the building and no rent is shown in the consolidated financial statements, non-cash rent expense of \$36,000 (considered fair market value by management) has been included in the supplementary statements as follows:

<u>Foundation</u>	<u>2007</u>	<u>2006</u>
Rent Income	\$ 36,000	\$ 36,000
Contribution Expense	\$ 36,000	\$ 36,000
 <u>SCILL</u>		
Rent Expense	\$ 36,000	\$ 36,000
Contribution Income	\$ 36,000	\$ 36,000

NOTE 8 - CONTINGENCY

Tracts of acreage in various industrial parks were purchased by Starke County with EDIT funds to be held in trust for Starke County Development Foundation (SCDF). As SCDF sells such acreage for industrial development, it must pay the County the sales proceeds to release portions of the acreage by quitclaim deed.

SUPPLEMENTARY INFORMATION

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
FOR FOUNDATION ONLY

ASSETS		2007	2006
CURRENT ASSETS			
Cash and Cash Equivalents		\$ 821,621	\$ 807,858
Investments		100,000	00
Accounts Receivable – Other		33,959	53,444
Contracts Receivable		120,952	115,412
Mortgages Receivable – Current Portion		105,102	104,818
Prepaid Expenses		<u>2,743</u>	<u>5,777</u>
Total Current Assets		<u>1,184,377</u>	<u>1,087,309</u>
PROPERTY AND EQUIPMENT			
Land		169,729	169,729
Buildings		2,837,370	2,837,370
Equipment		<u>47,103</u>	<u>45,733</u>
		3,054,202	3,052,832
Less: Accumulated Depreciation		<u>498,176</u>	<u>422,699</u>
Total Property and Equipment – Net		<u>2,556,026</u>	<u>2,630,133</u>
OTHER ASSETS			
Mortgages Receivable		281,937	387,039
Construction in Progress		1,168,042	00
Prepaid Loan Fees		<u>18,016</u>	<u>21,061</u>
Total Other Assets		<u>1,467,995</u>	<u>408,100</u>
TOTAL ASSETS		<u>\$5,208,398</u>	<u>\$4,125,542</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Long-Term Debt – Current Portion		\$ 222,933	\$ 145,018
Accounts Payable		4,400	12,982
Unearned Revenue		90,000	00
Accrued Expenses		<u>26,810</u>	<u>25,965</u>
Total Current Liabilities		344,143	183,965
LONG-TERM DEBT			
Current Portion – Net		<u>2,589,508</u>	<u>1,642,709</u>
TOTAL LIABILITIES		2,933,651	1,826,674
NET ASSETS			
Unrestricted		<u>2,274,747</u>	<u>2,298,868</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$5,208,398</u>	<u>\$4,125,542</u>

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
FOR FOUNDATION ONLY

	<u>2007</u>	<u>2006</u>
REVENUES, GAINS, AND OTHER SUPPORT		
Government Awards		
Consulting Contracts	\$ 256,878	\$ 238,462
Building Rent	282,540	265,450
Interest	57,863	11,467
Gain on Sale of Asset	00	184,122
Other Revenues	<u>1,920</u>	<u>3,411</u>
Total Revenues, Gains, and Other Support	<u>599,201</u>	<u>702,912</u>
 EXPENSES		
Local Economic Development	395,134	219,055
Rental Buildings	198,656	149,546
Administrative	<u>29,530</u>	<u>32,885</u>
Total Expenses	<u>623,320</u>	<u>401,486</u>
 INCREASE (DECREASE) IN NET ASSETS	 (24,119)	 301,426
 NET ASSETS - Beginning of Year	 <u>2,298,868</u>	 <u>1,997,442</u>
 NET ASSETS - End of Year	 <u>\$2,274,747</u>	 <u>\$2,298,868</u>

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007
FOR FOUNDATION ONLY

	<u>Economic</u> <u>Development</u>	<u>Rental</u> <u>Buildings</u>	<u>Program</u> <u>Total</u>	<u>Admini-</u> <u>stration</u>	<u>Total</u>
FUNCTIONAL EXPENSES					
Director Wages	\$ 55,472	\$ 7,564	\$ 63,036	\$ 7,004	\$ 70,040
Staff Wages	24,821	3,385	28,206	3,134	31,340
Planning Consultant	6,297	000	6,297	700	6,997
Benefits	8,266	1,127	9,393	1,044	10,437
Payroll Tax Expense	10,300	1,404	11,704	1,300	13,004
Telephone and Internet	4,053	501	4,554	00	4,554
Utilities	3,188	36	3,224	398	3,622
Repairs and Maintenance	3,619	494	4,113	457	4,570
Office Supplies	4,684	639	5,323	658	5,981
Postage	1,194	163	1,357	151	1,508
Advertising and Promotion	9,819	1,339	11,158	1,240	12,398
Entertainment and Meetings	2,901	396	3,297	366	3,663
Conferences and Education	1,379	188	1,567	174	1,741
Legal and Accounting	14,865	2,027	16,892	1,877	18,769
Dues and Subscriptions	1,174	160	1,334	148	1,482
Travel	4,195	572	4,767	530	5,297
Contribution to SCILL	69,552	00	69,552	00	69,552
Insurance	7,906	1,078	8,984	998	9,982
Depreciation	00	67,930	67,930	7,548	75,478
Interest Expense	00	109,653	109,653	00	109,653
Miscellaneous	<u>161,449</u>	<u>00</u>	<u>161,449</u>	<u>1,803</u>	<u>163,252</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$395,134</u>	<u>\$198,656</u>	<u>\$593,790</u>	<u>\$ 29,530</u>	<u>\$623,320</u>

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2006
FOR FOUNDATION ONLY**

	<u>Economic</u> <u>Development</u>	<u>Rental</u> <u>Buildings</u>	<u>Program</u> <u>Total</u>	<u>Admini-</u> <u>stration</u>	<u>Total</u>
FUNCTIONAL EXPENSES					
Director Wages	\$ 50,598	\$ 6,900	\$ 57,498	\$ 6,389	\$ 63,886
Staff Wages	34,584	4,716	39,300	4,367	43,667
Planning Consultant	5,135	00	5,135	571	5,706
Benefits	7,464	1,018	8,482	942	9,425
Payroll Tax Expense	10,302	1,405	11,707	1,300	13,007
Telephone and Internet	3,710	459	4,169	00	4,169
Utilities	3,446	39	3,485	431	3,916
Repairs and Maintenance	2,375	324	2,699	300	2,999
Office Supplies	6,539	892	7,431	918	8,349
Postage	914	125	1,039	115	1,155
Advertising and Promotion	9,866	1,345	11,211	1,246	12,457
Entertainment and Meetings	5,580	761	6,341	705	7,045
Conferences and Education	1,479	201	1,680	187	1,867
Legal and Accounting	20,553	2,803	23,356	2,595	25,951
Dues and Subscriptions	828	113	941	104	1,045
Travel	4,484	611	5,095	566	5,661
Contribution to SCILL	41,840	00	41,840	00	41,840
Insurance	8,773	1,196	9,969	1,108	11,077
Depreciation	00	52,205	52,205	5,800	58,005
Interest Expense	00	74,433	74,433	00	74,433
Website Development	585	00	585	65	650
Miscellaneous	<u>00</u>	<u>00</u>	<u>00</u>	<u>5,176</u>	<u>5,176</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$219,055</u>	<u>\$149,546</u>	<u>\$368,601</u>	<u>\$ 32,885</u>	<u>\$401,486</u>

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

STATEMENTS OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
FOR SCILL ONLY

ASSETS

	<u>2007</u>	<u>2006</u>
CURRENT ASSETS		
Cash	\$192,338	\$135,387
Accounts Receivable	5,902	939
Inventory	584	584
Prepaid Expenses	<u>563</u>	<u>548</u>
Total Current Assets	<u>199,387</u>	<u>137,458</u>
 PROPERTY AND EQUIPMENT		
Building Improvements	8,045	8,045
Property and Equipment	<u>537,594</u>	<u>521,899</u>
	545,639	529,944
Less: Accumulated Depreciation	<u>458,447</u>	<u>403,068</u>
Total Property and Equipment – Net	<u>87,192</u>	<u>126,876</u>
 TOTAL ASSETS	 <u>\$286,579</u>	 <u>\$264,334</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 19,093	\$ 40,625
Deferred Revenue	35,000	35,000
Accrued Liabilities	<u>39</u>	<u>17</u>
Total Current Liabilities	54,132	75,642
 NET ASSETS		
Unrestricted	<u>232,447</u>	<u>188,692</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$286,579</u>	 <u>\$264,334</u>

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006
FOR SCILL ONLY**

	<u>2007</u>	<u>2006</u>
REVENUES, GAINS, AND OTHER SUPPORT		
Grant Income	\$258,836	\$329,200
Non-Cash Contributions	82,713	70,775
Class Fees and Books	10,338	23,785
Repair Proceeds from Auto Tech Program	4,775	9,109
Interest	1,079	563
Miscellaneous	<u>42,885</u>	<u>9,229</u>
Total Revenues, Gains, and Other Support	<u>400,626</u>	<u>442,661</u>
EXPENSES		
Education Program	343,744	414,545
Administration	<u>13,127</u>	<u>60,590</u>
Total Expenses	<u>356,871</u>	<u>475,135</u>
INCREASE (DECREASE) IN NET ASSETS	43,755	(32,474)
NET ASSETS - Beginning of Year	<u>188,692</u>	<u>221,166</u>
NET ASSETS - End of Year	<u>\$232,447</u>	<u>\$188,692</u>

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007
FOR SCILL ONLY**

FUNCTIONAL EXPENSES	<u>Education</u>	<u>Administration</u>	<u>Total</u>
Contracted Services:			
Director Wages	\$ 29,141	\$ 901	\$ 30,042
Staff Wages	13,778	879	14,657
Instructors	84,041	00	84,041
Benefits and Payroll Taxes	<u>36,306</u>	<u>1,911</u>	<u>38,217</u>
Total Contracted Services	163,266	3,691	166,957
Telephone and Internet	4,006	211	4,217
Utilities	10,208	537	10,745
Repairs and Maintenance	7,748	495	8,243
Office Supplies	1,319	69	1,388
Postage	542	29	571
Cost of Sales Auto Tech Program	5,125	00	5,125
Computer Repairs and Supplies	5,037	321	5,358
Shop Supplies	32,368	00	32,368
Class Books and Supplies	747	00	747
Advertising and Promotion	2,719	00	2,719
Educational Management Fee	10,200	00	10,200
Legal and Accounting	00	3,542	3,542
Training	405	00	405
Travel and Entertainment	480	31	511
Insurance	331	17	348
Rent Expense	34,200	1,800	36,000
Depreciation	53,717	1,661	55,378
Bad Debt Expense	883	56	939
Miscellaneous	<u>10,443</u>	<u>667</u>	<u>11,110</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$343,744</u>	<u>\$ 13,127</u>	<u>\$356,871</u>

**STARKE COUNTY DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY**

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2006
FOR SCILL ONLY

FUNCTIONAL EXPENSES	<u>Education</u>	<u>Administration</u>	<u>Total</u>
Contracted Services:			
Director Wages	\$ 30,308	\$ 937	\$ 31,245
Staff Wages	13,269	846	14,115
Instructors	119,329	00	119,329
Benefits and Payroll Taxes	<u>43,516</u>	<u>2,290</u>	<u>45,806</u>
Total Contracted Services	206,422	4,073	210,495
Telephone and Internet	6,772	356	7,128
Utilities	10,815	569	11,384
Repairs and Maintenance	7,554	482	8,036
Office Supplies	2,835	150	2,985
Postage	493	26	519
Cost of Sales Auto Tech Program	7,095	00	7,095
Computer Repairs and Supplies	1,822	117	1,939
Shop Supplies	15,911	00	15,911
Class Books and Supplies	22,930	00	22,930
Advertising and Promotion	1,576	00	1,576
Educational Management Fee	10,200	00	10,200
Legal and Accounting	00	6,310	6,310
Training	3,576	00	3,576
Travel and Entertainment	1,514	97	1,611
Insurance	3,993	210	4,203
Rent Expense	34,200	1,800	36,000
Depreciation	68,150	2,108	70,258
Loss on Disposal	00	43,737	43,737
Miscellaneous	<u>8,687</u>	<u>555</u>	<u>9,242</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$414,545</u>	<u>\$ 60,590</u>	<u>\$475,135</u>