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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, 2007 to June 30, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Starke County Development Foundation, Inc. and its Related Entity, as of June 30, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

STARKE COUNTY
DEVELOPMENT FOUNDATION, INC.
AND ITS RELATED ENTITY

JUNE 30, 2008 AND 2007

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
4 N. Main Street
Knox, IN 46534

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, 2008 and 2007, 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, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our 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
December 10, 2008

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

**CONSOLIDATED BALANCE SHEETS
JUNE 30, 2008 AND 2007**

A S S E T S

	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 684,100	\$1,013,959
Investments	710,749	100,000
Accounts Receivable – Other	33,404	39,861
Contracts Receivable	137,490	120,952
Mortgages Receivable – Current Portion	5,429	105,102
Inventory	00	584
Prepaid Expenses	<u>3,052</u>	<u>3,306</u>
Total Current Assets	<u>1,574,224</u>	<u>1,383,764</u>
 PROPERTY AND EQUIPMENT		
Land	169,729	169,729
Buildings	4,143,498	2,845,415
Equipment	<u>623,253</u>	<u>584,697</u>
	4,936,480	3,599,841
Less: Accumulated Depreciation	<u>1,072,365</u>	<u>956,623</u>
Total Property and Equipment – Net	<u>3,864,115</u>	<u>2,643,218</u>
 OTHER ASSETS		
Mortgages Receivable	176,272	281,937
Construction in Progress	00	1,168,042
Equipment Deposits	3,000	00
Prepaid Interest and Loan Fees	<u>14,972</u>	<u>18,016</u>
Total Other Assets	<u>194,244</u>	<u>1,467,995</u>
 TOTAL ASSETS	 <u>\$5,632,583</u>	 <u>\$5,494,977</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion Long-Term Debt	\$ 224,896	\$ 222,933
Accounts Payable	7,305	23,493
Accrued Expenses	22,438	26,849
Customer Deposits	31,654	90,000
Deferred Revenue – Other	<u>40,000</u>	<u>35,000</u>
Total Current Liabilities	326,293	398,275
 LONG TERM LIABILITIES		
Long-Term Debt, Net of Current Portion	<u>2,239,164</u>	<u>2,361,198</u>
 TOTAL LIABILITIES	 2,565,457	 2,759,473
 NET ASSETS		
Unrestricted	<u>3,067,126</u>	<u>2,735,504</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$5,632,583</u>	 <u>\$5,494,977</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, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
REVENUES, GAINS AND OTHER SUPPORT		
Government Awards		
Consulting Contracts	\$ 272,698	\$ 256,878
Grant Income	274,300	258,836
Cash Contributions	23,249	00
Non-Cash Contributions	28,830	46,713
Building Rent	370,370	246,540
Repair Proceeds from Auto Tech Program	4,575	4,775
Class Fees and Books	6,434	10,338
Gain on Disposal of Asset	5,000	00
Interest	64,494	50,252
Miscellaneous	<u>58,020</u>	<u>11,252</u>
Total Revenues, Gains and Other Support	<u>1,107,970</u>	<u>885,584</u>
 EXPENSES		
Local Economic Development	197,928	164,133
Rental Buildings	263,860	198,656
Education Program	264,426	309,544
Administration	<u>50,134</u>	<u>202,306</u>
Total Expenses	<u>776,348</u>	<u>874,639</u>
 INCREASE IN NET ASSETS	 331,622	 10,945
 NET ASSETS – Beginning of Year	 <u>2,735,504</u>	 <u>2,724,559</u>
 NET ASSETS – End of Year	 <u>\$3,067,126</u>	 <u>\$2,735,504</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, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 331,622	\$ 10,945
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	123,767	130,856
Non-Cash Expenditures	28,830	46,713
Non-Cash Contributions	(28,830)	(46,713)
(Gain) on Sale of Assets	(5,000)	00
(Increase) Decrease in:		
Contracts Receivable	(16,538)	(5,540)
Accounts Receivable - Other	6,458	14,521
Prepaid Expenses	254	3,019
Inventory	584	00
Equipment Deposit	(3,000)	00
Increase (Decrease) in:		
Accounts Payable	(16,186)	(30,092)
Accrued Expenses	(4,412)	845
Customer Deposits	(58,346)	90,000
Deferred Revenue	5,000	00
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>364,203</u>	<u>214,554</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(610,749)	(100,000)
Receipt (Issuance) of Mortgage Notes Receivable	205,338	104,818
Purchase of Property and Equipment	(1,344,665)	(17,066)
Proceeds from Sale of Property and Equipment	5,000	00
Construction in Progress	1,168,042	(1,168,042)
Decrease in Prepaid Loan Fees	3,044	3,044
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(573,990)</u>	<u>(1,177,246)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Liabilities	(227,564)	(877,570)
Issuance of Long-Term Debt	107,493	1,910,975
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(120,071)</u>	<u>1,033,405</u>
NET INCREASE (DECREASE) IN CASH	(329,858)	70,713
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>1,013,958</u>	<u>943,246</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 684,100</u>	<u>\$1,013,959</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION		
CASH PAID DURING THE YEAR FOR:		
Interest	<u>\$ 151,399</u>	<u>\$ 106,608</u>
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING TRANSACTION		
Acquisition of Donated Equipment	<u>\$ 24,275</u>	<u>\$ 11,646</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, 2008**

	<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	\$ 51,513	\$ 7,025	\$ 34,969	\$ 93,507	\$ 7,585	\$101,092
Staff Wages	24,256	3,308	11,513	39,077	3,798	42,875
Contracted Services	00	00	86,588	86,588	00	86,588
Planning Consultant	5,403	00	00	5,403	600	6,003
Benefits	10,125	1,381	39,459	50,965	3,355	54,320
Payroll Tax Expense	8,028	1,095	00	9,123	1,014	10,137
Telephone and Internet	4,873	602	3,588	9,063	189	9,252
Utilities	3,309	38	10,646	13,993	974	14,967
Repairs and Maintenance	3,232	441	4,778	8,451	713	9,164
Office Supplies	7,164	977	3,908	12,049	1,212	13,261
Class Books and Supplies	00	00	1,297	1,297	00	1,297
Postage	737	101	432	1,270	115	1,385
Advertising and Promotion	10,343	1,410	1,102	12,855	1,306	14,161
Entertainment and Meetings	3,493	476	00	3,969	441	4,410
Educational Management Fee	00	00	10,200	10,200	00	10,200
Conferences and Education	2,155	294	00	2,449	272	2,721
Board Meeting	00	00	00	00	3,740	3,740
Legal and Accounting	16,475	2,247	00	18,722	6,086	24,808
Dues and Subscriptions	804	110	00	914	101	1,015
Travel	5,628	768	291	6,687	730	7,417
Cost of Sales Auto Tech Program	00	00	00	00	00	00
Computer Repairs and Supplies	00	00	5,307	5,307	00	5,307
Shop Supplies	00	00	2,265	2,265	145	2,410
Bad Debt Expense	00	00	13,374	13,374	00	13,374
Insurance	8,666	00	501	501	32	533
Depreciation	00	1,181	4,849	14,696	1,349	16,045
Interest Expense	00	91,007	21,970	112,977	10,791	123,768
Website Development	00	151,399	00	151,399	00	151,399
Entrepreneur	634	00	00	634	70	704
Miscellaneous	31,090	00	00	31,090	3,454	34,544
	<u>00</u>	<u>00</u>	<u>7,389</u>	<u>7,389</u>	<u>2,062</u>	<u>9,451</u>
TOTAL FUNCTIONAL EXPENSES	\$197,928	\$263,860	\$264,426	\$726,214	\$ 50,134	\$776,348

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**

	<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	\$ 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	161,449	00	10,443	171,892	2,470	174,362
TOTAL FUNCTIONAL EXPENSES	<u>\$325,582</u>	<u>\$198,656</u>	<u>\$309,544</u>	<u>\$833,782</u>	<u>\$ 40,837</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 NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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 Economic Development Income Tax (CEDIT) 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, 2008 AND 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Cash Equivalents

Cash, as presented on the accompanying balance sheets and statements of cash flows, includes cash on hand and deposits in interest bearing and non-interest bearing accounts in financial institutions. Cash equivalents consist of highly liquid accounts with original maturities of 90 days or less. Certificates of deposit and other securities with original maturities over 90 days are classified as short-term investments and stated at cost, which approximates market value.

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, 2008 and 2007 was \$123,768 and \$130,856, 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.

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

Advertising

Advertising costs are included in operating expenses and are expensed as incurred. Advertising expense was \$14,161 and \$15,117 for the years ended June 30, 2008 and 2007, respectively.

Reclassification

Certain reclassifications have been made to the June 30, 2007 financial statements in order for them to better compare to the June 30, 2008 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 \$999,601 and \$805,226 at June 30, 2008 and 2007, 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, 2008 and 2007 are summarized as follows:

<u>2008</u>	<u>Foundation</u>	<u>SCILL</u>	<u>Consolidated</u>
Land	\$ 169,729	\$ 00	\$ 169,729
Buildings	4,112,907	30,591	4,143,498
Furniture and Equipment	<u>45,819</u>	<u>577,434</u>	<u>623,253</u>
	4,328,455	608,025	4,936,480
Accumulated Depreciation	<u>591,269</u>	<u>481,096</u>	<u>1,072,365</u>
Total Property and Equipment	<u>\$3,737,186</u>	<u>\$126,929</u>	<u>\$3,864,115</u>

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

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 3 - PROPERTY AND EQUIPMENT CONTINUED

<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>

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. Included in Furniture and Equipment is non-depreciable artwork that cost \$15,000.

NOTE 4 - LONG-TERM LIABILITIES

Long-term liabilities consist of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</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	\$ 99,555	\$ 161,159
Mortgage payable to First Source Bank, 5.50% interest, monthly installments of \$6,243, due April 2012, secured by real estate	428,518	477,998
Mortgage payable to First Source Bank, 6.10% interest, monthly installments of \$7,755 principal and interest, due December 2010, secured by real estate	730,721	776,931
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	<u>1,205,266</u>	<u>1,168,043</u>
Total Long-Term Liabilities	2,464,060	2,584,131
Less: Current Portion	<u>224,896</u>	<u>222,933</u>
Long-Term Liabilities - Net	<u>\$2,239,164</u>	<u>\$2,361,198</u>

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

<u>Year Ending</u>	<u>Amount</u>
June 30, 2009	\$ 224,896
June 30, 2010	\$ 214,165
June 30, 2011	\$ 756,394
June 30, 2012	\$ 335,221
June 30, 2013 and thereafter	\$ 933,384

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

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 5 - LEASES

The Foundation currently leases a building in the Hamlet Industrial Park under a ten-year operating lease for \$23,109 per month ending in July 2017. Rental income from this property was \$277,310 and \$144,000 for fiscal years ended June 30, 2008 and 2007, respectively.

The Knox Fertilizer Building was leased for \$8,545 per month under a ten-year operating lease which began October 2005. Of the monthly payment, \$790 is treated as interest income for a 2% return on interest for both the Foundation and the City of Knox. Each month \$395 is paid to the City of Knox. Rental income for this property was \$93,060 and \$93,060 for the years ending June 30, 2008 and 2007, respectively.

The following is a schedule by years of future minimum rentals under leases in existence at June 30, 2008, without extension options:

<u>Year Ending</u>	<u>Amount</u>
June 30, 2009	\$ 93,060
June 30, 2010	93,060
June 30, 2011	93,060
June 30, 2012	93,060
June 30, 2013	<u>93,060</u>
Total	<u>\$465,300</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 \$3,539 and \$3,041 for the years ended June 30, 2008 and 2007, respectively.

NOTE 7 - SCILL CENTER PROGRAM

The Foundation has contracted with Ancilla College to manage and staff the Starke County Initiative for Lifelong Learning (SCILL) Center. This is a perpetual contract that began in 1996. The SCILL Center pays the cost of the employees and pays Ancilla a monthly fee of \$850. Management plans to continue this contract for at least one year. 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, 2008 and 2007, respectively, plus \$9,094 landscaping, and has accumulated depreciation totaling \$124,081 and \$120,382 for the years ending June 30, 2008 and 2007, respectively.

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

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

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>2008</u>	<u>2007</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

Certain tracts of acreage in various industrial parks were purchased by Starke County 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**

**SCHEDULES OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
FOR FOUNDATION ONLY**

	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 483,826	\$ 821,621
Investments	710,749	100,000
Accounts Receivable – Other	33,260	33,959
Contracts Receivable	137,490	120,952
Mortgages Receivable – Current Portion	5,429	105,102
Prepaid Expenses	2,734	2,743
Total Current Assets	<u>1,373,488</u>	<u>1,184,377</u>
PROPERTY AND EQUIPMENT		
Land	169,729	169,729
Buildings	4,112,907	2,837,370
Equipment	45,819	47,103
	<u>4,328,455</u>	<u>3,054,202</u>
Less: Accumulated Depreciation	591,269	498,176
Total Property and Equipment – Net	<u>3,737,186</u>	<u>2,556,026</u>
OTHER ASSETS		
Mortgages Receivable	176,272	281,937
Construction in Progress	00	1,168,042
Equipment Deposit	3,000	00
Prepaid Loan Fees	14,972	18,016
Total Other Assets	<u>194,244</u>	<u>1,467,995</u>
TOTAL ASSETS	<u>\$5,304,918</u>	<u>\$5,208,398</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion Long-Term Debt	\$ 224,896	\$ 222,933
Accounts Payable	5,095	4,400
Unearned Revenue	31,654	90,000
Accrued Expenses	22,404	26,810
Total Current Liabilities	<u>284,049</u>	<u>344,143</u>
LONG-TERM DEBT		
Long-Term Debt – Net of Current Portion	<u>2,239,164</u>	<u>2,361,198</u>
TOTAL LIABILITIES	2,523,213	2,705,341
NET ASSETS		
Unrestricted	<u>2,781,705</u>	<u>2,503,057</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$5,304,918</u>	<u>\$5,208,398</u>

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

**SCHEDULES OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
FOR FOUNDATION ONLY**

	<u>2008</u>	<u>2007</u>
REVENUES, GAINS, AND OTHER SUPPORT		
Government Awards		
Consulting Contracts	\$ 272,698	\$ 256,878
Grants	54,800	00
Building Rent	406,370	282,540
Interest	63,458	49,171
Other Revenues	<u>50,060</u>	<u>1,920</u>
Total Revenues, Gains, and Other Support	<u>847,386</u>	<u>590,509</u>
 EXPENSES		
Local Economic Development	265,527	395,134
Rental Buildings	263,860	198,656
Administrative	<u>39,351</u>	<u>29,530</u>
Total Expenses	<u>568,738</u>	<u>623,320</u>
 INCREASE (DECREASE) IN NET ASSETS	 278,648	 (32,811)
 NET ASSETS -- Beginning of Year	 <u>2,503,057</u>	 <u>2,535,868</u>
 NET ASSETS -- End of Year	 <u>\$2,781,705</u>	 <u>\$2,503,057</u>

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

**SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008
FOR FOUNDATION ONLY**

	<u>Economic Development</u>	<u>Rental Buildings</u>	<u>Program Total</u>	<u>Admini- stration</u>	<u>Total</u>
FUNCTIONAL EXPENSES					
Director Wages	\$ 51,513	\$ 7,025	\$ 58,538	\$ 6,504	\$ 65,042
Staff Wages	24,256	3,308	27,564	3,063	30,627
Planning Consultant	5,403	00	5,403	600	6,003
Benefits	10,125	1,381	11,506	1,278	12,784
Payroll Tax Expense	8,028	1,095	9,123	1,014	10,137
Advertising and Promotion	10,343	1,410	11,753	1,306	13,059
Conferences and Education	2,155	294	2,449	272	2,721
Contribution to SCILL	67,599	00	67,599	00	67,599
Depreciation	00	91,007	91,007	10,112	101,119
Dues and Subscriptions	804	110	914	101	1,015
Entertainment and Meetings	3,493	476	3,969	441	4,410
Entrepreneur	31,090	00	31,090	3,454	34,544
Insurance	8,666	1,181	9,847	1,094	10,941
Interest Expense	00	151,399	151,399	00	151,399
Legal and Accounting	16,475	2,247	18,722	2,080	20,802
Meeting	00	00	00	3,740	3,740
Office Supplies	7,164	977	8,141	1,006	9,147
Postage	737	101	838	93	931
Repairs and Maintenance	3,232	441	3,673	408	4,081
Telephone and Internet	4,873	602	5,475	00	5,475
Travel	5,628	768	6,396	711	7,107
Utilities	3,309	38	3,347	414	3,761
Web Site Development	634	00	634	70	704
Miscellaneous	<u>00</u>	<u>00</u>	<u>00</u>	<u>1,590</u>	<u>1,590</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$265,527</u>	<u>\$263,860</u>	<u>\$529,387</u>	<u>\$ 39,351</u>	<u>\$568,738</u>

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

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

	<u>Economic Development</u>	<u>Rental Buildings</u>	<u>Program Total</u>	<u>Admini- 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**

**SCHEDULES OF FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
FOR SCILL ONLY**

	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS		
Cash	\$200,274	\$192,338
Accounts Receivable	144	5,902
Inventory	00	584
Prepaid Expenses	<u>318</u>	<u>563</u>
Total Current Assets	<u>200,736</u>	<u>199,387</u>
 PROPERTY AND EQUIPMENT		
Building Improvements	30,591	8,045
Property and Equipment	<u>577,434</u>	<u>537,594</u>
	608,025	545,639
Less: Accumulated Depreciation	<u>481,096</u>	<u>458,447</u>
Total Property and Equipment – Net	<u>126,929</u>	<u>87,192</u>
 TOTAL ASSETS	 <u>\$327,665</u>	 <u>\$286,579</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 2,210	\$ 19,093
Deferred Revenue	40,000	35,000
Accrued Liabilities	<u>34</u>	<u>39</u>
Total Current Liabilities	42,244	54,132
 NET ASSETS		
Unrestricted	<u>285,421</u>	<u>232,447</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$327,665</u>	 <u>\$286,579</u>

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

**SCHEDULES OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007
FOR SCILL ONLY**

	<u>2008</u>	<u>2007</u>
REVENUES, GAINS, AND OTHER SUPPORT		
Grant Income	\$219,500	\$258,836
Contributions	23,249	00
Non-Cash Contributions	64,830	82,713
Class Fees and Books	6,434	10,338
Repair Proceeds from Auto Tech Program	4,575	4,775
Interest	1,036	1,079
Miscellaneous	<u>39,559</u>	<u>42,885</u>
Total Revenues, Gains, and Other Support	<u>359,183</u>	<u>400,626</u>
EXPENSES		
Education Program	298,626	343,744
Administration	<u>7,583</u>	<u>13,127</u>
Total Expenses	<u>306,209</u>	<u>356,871</u>
INCREASE IN NET ASSETS	52,974	43,755
NET ASSETS - Beginning of Year	<u>232,447</u>	<u>188,692</u>
NET ASSETS - End of Year	<u>\$285,421</u>	<u>\$232,447</u>

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

**SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008
FOR SCILL ONLY**

	<u>Education</u>	<u>Administration</u>	<u>Total</u>
FUNCTIONAL EXPENSES			
Contracted Services:			
Director Wages	\$ 34,969	\$ 1,081	\$ 36,050
Staff Wages	11,513	735	12,248
Instructors	86,588	00	86,588
Benefits and Payroll Taxes	<u>39,459</u>	<u>2,077</u>	<u>41,536</u>
Total Contracted Services	172,529	3,893	176,422
Telephone and Internet	3,588	189	3,777
Utilities	10,646	560	11,206
Repairs and Maintenance	4,778	305	5,083
Office Supplies	3,908	206	4,114
Postage	432	22	454
Cost of Sales Auto Tech Program	5,307	00	5,307
Computer Repairs and Supplies	2,265	145	2,410
Shop Supplies	13,374	00	13,374
Class Books and Supplies	1,297	00	1,297
Advertising and Promotion	1,102	00	1,102
Educational Management Fee	10,200	00	10,200
Legal and Accounting	00	4,006	4,006
Travel and Entertainment	291	19	310
Insurance	4,849	255	5,104
Rent Expense	34,200	1,800	36,000
Depreciation	21,970	679	22,649
Bad Debt Expense	501	32	533
Loss on Disposal	00	(5,000)	(5,000)
Miscellaneous	<u>7,389</u>	<u>472</u>	<u>7,861</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$298,626</u>	<u>\$ 7,583</u>	<u>\$306,209</u>

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

**SCHEDULE 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>