B38654

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

April 14, 2011

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

We have reviewed the audit report prepared by Larry E. Nunn & Associates, LLC, Independent Public Accountants, for the period January 1, 2008 to December 31, 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 Morgan County Economic Development Corporation, as of December 31, 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.

We call your attention to the findings in the report. Page 13 contains two comments.

STATE BOARD OF ACCOUNTS

MORGAN COUNTY ECONOMIC DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

Years Ended December 31, 2008 and 2007

TABLE OF CONTENTS

Larry E. Nunn & Associates
Certified Public Accountants, L.L.C.

Member American Institute of Certified Public Accountants (AICPA)
Member AICPA's Governmental Audit Quality Center
Member AICPA's Employee Benefit Plan Audit Quality Center
Member Indiana CPA Society

From Vision to Solution

Board of Directors
Morgan County Economic Development Corporation
Mooresville, Indiana

We have audited the accompanying statements of financial position of Morgan County Economic Development Corporation (a nonprofit corporation) as of December 31, 2008 and 2007, and the related statements of activities and cash flows, for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Morgan County Economic Development Corporation as of December 31, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2009, on our consideration of Morgan County Economic Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Larry E. Nunn & Associates, LLC

Plainfield, Indiana
October 2, 2009

2545 Foxpointe Drive Suite A
Columbus, IN 47203-3299
812-376-3061 Fax 812-376-3157

4002 Clarks Creek Road
Plainfield, IN 46168-1948
317-839-9136 Fax 317-839-9177

419 West Second Street
Seymour, IN 47274-2149
812-523-6726 Fax 812-523-6728

Visit our website: www.nunncpas.com

MORGAN COUNTY ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
December 31

	2008			2007
	Unrestricted	Temporarily Restricted	Totals	Unrestricted
ASSETS				
Cash and cash equivalents	$ 110,394	$ (35,000)	75,394	$ 315,163
Certificates of deposit, at cost	200,583	-	200,583	-
Accounts receivable	33,950	-	33,950	12,850
USDA revolving loan receivable	-	50,000	50,000	-
Notes receivable	-	50,000	50,000	-
Prepaid expenses	3,327	-	3,327	3,327
Land option costs	10,600	-	10,600	10,600
Office equipment, net	10,906	-	10,906	12,679
Total assets	$ 369,760	$ 65,000	$ 434,760	$ 354,619
LIABILITIES				
Accounts payable	105	$ -	$ 105	$ 587
Accrued wages	1,624	-	1,624	2,163
Payroll taxes payable	4,016	-	4,016	3,912
Revolving loan payable	-	65,000	65,000	-
Total liabilities	5,745	65,000	70,745	6,662
NET ASSETS				
Unrestricted	364,015	-	364,015	347,957
Total liabilities and net assets	$ 369,760	$ 65,000	$ 434,760	$ 354,619

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

MORGAN COUNTY ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES
For the Years Ended December 31

	2008	2007
REVENUES		
Dues	$ 199,000	$ 190,829
Contributions	-	2,000
Plat fees	8,850	19,750
Grants	4,000	6,000
Donation-in-kind	14,101	14,101
Interest income	6,813	14,426
Map program	22,000	-
Miscellaneous income	9,282	2,004
Total revenues	264,046	249,110
OPERATING EXPENSES	247,988	218,303
Change in net assets	16,058	30,807
NET ASSETS - beginning of the year	347,957	317,150
NET ASSETS - end of year	$ 364,015	$ 347,957

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

MORGAN COUNTY ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOW
For the Years Ended December 31

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 16,058	$ 30,807
Adjustments to reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	1,773	2,157
Interest reinvested	(583)	-
Decrease (Increase) in:		
Accounts receivable	(21,100)	(5,500)
Prepaid expenses	-	(61)
Increase (Decrease) in:		
Accounts payable	(482)	(4,133)
Accrued wages	(539)	79
Payroll taxes payable	104	(542)
Unearned revenue	-	(50,000)
United Way contribution payable	-	-
Net Cash Used by Operating Activities	(4,769)	(27,193)
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of fixed assets	-	(7,327)
Land development costs	-	(10,600)
Net Cash Used by Financing Activities	-	(17,927)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of revolving loan funds	15,000	-
Disbursements of revolving loan funds	(50,000)	-
Purchase of certificate of deposits	(200,000)	-
Net Cash Used by Investing Activities	(235,000)	-
Net Decrease in Cash and Cash Equivalents	(239,769)	(45,120)
CASH AND CASH EQUIVALENTS - Beginning of Year	315,163	360,283
CASH AND CASH EQUIVALENTS - End of Year	$ 75,394	$ 315,163

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

MORGAN COUNTY ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

Note 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – Morgan County Economic Development Corporation (the Corporation) was originally incorporated as a not-for-profit corporation on June 7, 1990 under the laws of the State of Indiana. The Corporation's purpose is to encourage, promote and develop economic expansion within Morgan County, Indiana. Support for the Corporation comes primarily from membership dues. The corporation is located in Mooresville, Indiana.

Summary of Significant Accounting Policies

Estimates - The presentation of financial statements are in conformity with generally accepted accounting principles, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation - The Corporation follows Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Centers," and SFAS No. 116, "Accounting for Contributions Received and Contributions Made". Under SFAS No. 117, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Corporation does not have any permanently restricted net assets.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Corporation considers investments available for current use with an initial maturity date of three months or less to be cash equivalents.

Contributions - In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. Gifts and contributions are recorded at fair value. The Corporation does not have any temporarily or permanently restricted net assets.

Advertising - The Corporation expenses advertising costs as they are incurred.

Federal Income Tax - The Corporation is exempt from Income Tax under Internal Revenue Code Section 501 (c) (6). However a Form 990, Return of Organization Exempt from Income Tax, is required to be filed each year.

MORGAN COUNTY ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

Note 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Office Equipment – The Corporation follows the practice of capitalizing all expenditures with an estimated useful life of three years or more. Depreciation of fixed assets is provided on a straight-line basis over the estimated useful lives of assets. Estimated useful lives are as follows:

Office furniture	10 years
Computer equipment	3 years

When items are disposed of, the cost and accumulated depreciation are eliminated from the records of account, and a gain or loss is reported in the change in net assets. Repair and maintenance charges that do not increase the useful lives of the assets are charged to the change in net assets as incurred.

Revenue Recognition – The Corporation records public and private investment revenue in the period billed and received. All donations are voluntary and the Corporation does not recognize any revenue or bad debt expense for amounts not received. Private investment revenue is from various companies located in Morgan County. Public investment revenue is from towns and cities in Morgan County. Plat fees are recognized when earned.

Statement of Cash Flows - The indirect method is used to report cash flows from operating activities.

Note 2 - MEMBERSHIP

Per the by-laws of the Corporation, there is a Board of Directors composed of representatives from the governmental membership and the corporate/business membership. The Corporation has three classes of membership:

General – includes those nongovernmental members making a contribution of $4,000 or more annually through the payment of dues as set by the Board of Directors. General Members will become members of the Board of Directors having full voting rights and duties conferred upon the Board of Directors.

Governmental – includes a Member designated by the City Council of Martinsville, the Town Council of Mooresville and the County Commissioners of Morgan County. Upon making an annual contribution of dues to the corporation, Martinsville $50,000, Mooresville $50,000 and Morgan County $50,000, they shall have the following appointments:

Note 2 - MEMBERSHIP (continued)

	Board of Directors	Executive Committee
Martinsville	1	1
Mooresville	1	1
Morgan County	1	1

Special - any individual or organization approved by a majority vote of the Board of Directors and have such rights as designated by the Board of Directors. The Martinsville and Mooresville Chambers of Commerce shall each be entitled to one non-voting Special Membership on the Board of Directors. An Associate Membership level of Special Members shall be granted to any entity for an annual contribution of $1,500.

Note 3 – CASH IN EXCESS OF FDIC LIMIT

The Corporation maintains a bank account which periodically exceeds the FDIC guarantee limit during the year. At December 31, 2008 and 2007, the Corporation had balances which were in excess of the FDIC limit by approximately $0 and $315,000, respectively; however, the financial institution has additional collateralization for the Corporation deposits in the amount of $45,000 and $299,000, respectively.

Note 4 – INVESTMENTS

During 2008, the Corporation invested in certificates of deposit with original maturities of fifteen and seventeen months. The certificates are recorded at cost and earn interest at rates ranging from 4.18% to 4.43% per annum. The certificates mature in February and April of 2010, respectively.

Note 5 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of December 31:

	2008	2007
Membership	$ 32,350	$ 6,850
Platt fees	1,600	6,000
Total accounts receivable	$ 33,950	$ 12,850

Note 6 – PLAT FEES

Pursuant to Ordinance 1-14-14.2 adopted by the Morgan County Board of Commissioners on November 19, 2001, the Corporation receives $50 of unrestricted support for each new residential lot platted and recorded in Morgan County. These funds are collected by the auditor of Morgan County and transmitted to the Corporation periodically.

Note 7 – OFFICE EQUIPMENT

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

	2008	2007
Computer equipment	$ 3,640	$ 3,640
Office furniture	13,132	13,132
Totals - at cost	16,772	16,772
Less accumulated depreciation	5,866	4,093
Net office equipment	$ 10,906	$ 12,679

Note 8 – OPERATING LEASE

The Corporation leases their copier. As of December 31, 2007 the Corporation was under contract to lease the copier through June 2009 for $70 per month. Lease expense for the years ended December 31, 2008 and 2007 was $1,116 and $1,088, respectively.

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

2009	$ 420

Note 9 - EXISTENCE OF CONCENTRATION IN REVENUES RECEIVED

The Corporation received approximately 57%, and 60% of its revenues from Morgan County Commissioners, City of Martinsville and Town of Mooresville for the years ended December 31, 2008 and 2007, respectively, in dues. As of AnnuallyDecember 31, 2008 and 2007, approximately 95% and 53% of the accounts receivable were related to these members, respectively. In the event that this revenue were to be eliminated, it is likely that the Corporation would need to reduce its current operations. The Corporation does not expect in any way that the revenue from these sources will be lost in the near term.

Note 10 – DONATION-IN-KIND

The Corporation was provided furnished office space by the Town of Mooresville for the years ended December 31, 2008 and 2007 and has recognized in-kind revenue in the amount of $14,101 for the donated use of the space, respectively. The offsetting rent expense is included in operating expenses. The office space is provided on a year-to-year basis as there is no formal lease agreement.

Note 11 – LAND OPTIONS

The Corporation was granted the first and exclusive option to purchase parcels of real estate in Morgan County, Indiana. The option shall be exercised on or before the 15th day of March 2010. The purchase price for the real estate is Fifteen Thousand dollars per acre plus Seventy dollars per lineal foot of State Road 37 frontage for the surveyed acreage of the real estate, to be paid in cash at the time of the real estate closing. The approximate 55.5 acres must be sold as a combined unit and used as a business park. The consideration for the real estate option shall be the testing and analysis of the real estate which was $10,600 as of December 31, 2008 and 2007.

Note 12 – REVOLVING LOAN FUND

In 2008, the United States Department of Agriculture (USDA) awarded the Corporation a Rural Business Enterprise Grant of $200,000 to finance and facilitate the development of small and emerging private business enterprises within Morgan County, Indiana. Advances are received from the USDA when businesses have applied and been approved to participate in the program. Under the terms of the grant, funds received by the Corporation are maintained in a revolving loan fund. Principle repayments on loans are maintained in the fund and are available to be used for future loans. Morgan County has also contributed $15,000 toward the program. Should the program terminate, the original funds received from USDA and Morgan County must be returned. The activity within the revolving loan fund is presented in the statement of financial position under temporarily restricted net assets.

For the year ended December 31, 2008 two loans were approved and disbursed in the amount of $25,000 each. Funding for these loans was received from the USDA in 2009. The loans require monthly payments of $460 and $564, and include interest of 4.0% per annum for the first fours years and 8.0% per annum until maturity thereafter. The maturities of the notes receivable for each of the succeeding five years subsequent to December 31, 2008 are as follows:

Note 12 – REVOLVING LOAN FUND (continued)

2009	$ 9,991
2010	10,897
2011	11,341
2012	11,802
2013	5,969
Total notes receivable	$ 50,000

Note 13 – ACCRUED VACATION AND SICK

Employees of the Corporation are entitled to accrued vacation and sick time at various accrual rates depending on the years of service. Any earned and unused vacation at the end of the calendar year is vested and can be carried over to future periods but cannot exceed forty (40) hours; however, employees are expected to use vacation time throughout the year. As of December 31, 2008 and 2007 accrued vacation was $1,624 and $1,283, respectively, and is included with accrued wages on the Statement of Financial Position.

Employees of the Association are also entitled to eighty (80) hours of sick leave awarded at the beginning of each year. Sick leave is not vested; however, sick leave hours are cumulative from year to year with a maximum accumulation of two hundred forty (240) hours. As of December 31, 2008 and 2007, the Corporation is contingently liable for unused sick leave in the amount of $5,699 and $3,942, respectively.

SUPPLEMENTAL INFORMATION

MORGAN COUNTY ECONOMIC DEVELOPMENT CORPORATION
SCHEDULES OF OPERATING EXPENSES
For the Years Ended December 31, 2008 and 2007

	2008	2007
Salaries	$ 124,414	$ 117,431
Payroll taxes	10,158	9,785
Employee benefits	14,494	13,063
Total personnel costs	149,066	140,279
Advertising and promotions	41,569	23,748
Auto expenses	6,731	8,238
Computer equipment	303	20
Consulting fees	13,200	4,360
Contributions	-	773
Depreciation	1,773	2,157
Dues and subscriptions	404	424
Equipment lease	1,116	1,088
Insurance	1,146	1,137
Licenses and fees	-	7
Meals and entertainment	3,126	5,868
Miscellaneous	72	50
Office supplies	409	720
Postage	858	269
Professional fees	6,617	5,075
Registration	475	895
Rent	14,101	14,101
Telephone	979	1,068
Training	-	687
Travel	6,043	7,339
Total operating expenses	$ 247,988	$ 218,303

Larry E. Nunn & Associates
Certified Public Accountants, L.L.C.

Member American Institute of Certified Public Accountants (AICPA)
Member AICPA's Governmental Audit Quality Center
Member AICPA's Employee Benefit Plan Audit Quality Center
Member Indiana CPA Society

From Vision to Solution

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Morgan County Economic Development Corporation
Mooresville, Indiana

We have audited the financial statements of Morgan County Economic Development Corporation(the Corporation) as of December 31, 2008 and 2007, and have issued our report thereon dated October 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Morgan County Economic Development Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a control deficiency. Control deficiencies involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Morgan County Economic Development Corporation's, ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. The control deficiencies are:

- Inadequate segregation of duties consistent with appropriate control objectives.
- Morgan County Economic Development Corporation does not have individuals who possess the qualifications and training necessary in order to apply generally accepted accounting principles in recording the entity's financial transactions and preparing its financial statements.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

2545 Foxpointe Drive Suite A
Columbus, IN 47203-3299
812-376-3061 Fax 812-376-3157

4002 Clarks Creek Road
Plainfield, IN 46168-1948
317-839-9136 Fax 317-839-9177

419 West Second Street
Seymour, IN 47274-2149
812-523-6726 Fax 812-523-6728

Visit our website: www.nunncpas.com

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be control deficiencies and, accordingly, would not necessarily disclose all control deficiencies that are also considered to be material weaknesses. However, we believe the control deficiency of inadequate segregation of duties consistent with appropriate control objectives is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morgan County Economic Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

This report is intended solely for the information and use of the finance committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Larry E. Nunn & Associates, LLC

Plainfield, Indiana
October 2, 2009