



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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November 9, 2011

Board of Directors  
Pennville Industrial Development  
Committee, Inc.  
P.O. Box 187  
Pennville, IN 47369

We have reviewed the audit report prepared by Bollenbacher and Associates, LLP, 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 Pennville Industrial Development Committee, Inc., 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.

STATE BOARD OF ACCOUNTS

**Pennville Industrial Development Committee, Inc.**

**Financial Statements and  
Supplemental Information**

**For the Year Ended December 31, 2008**

Pennville Industrial Development Committee, Inc.

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Board of Directors  
Pennville Industrial Development Committee, Inc.  
Pennville, IN 47369

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial position of Pennville Industrial Development Committee, Inc. (a nonprofit organization) as of December 31, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Few accounting controls are exercised for oversight of loans granted to local businesses. Additionally, little transparency was provided by the accounting records concerning government money received and spent, it was not practicable for us to extend our audit of such receipts beyond the amounts recorded. Few internal controls exist to mitigate risk.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the feasibility of collecting on loans, exercising control, and transparency of record keeping referred to in the preceding paragraph been susceptible to satisfactory audit tests, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Pennville Industrial Development Committee, Inc. as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Bollenbacher & Associates, LLC*

January 5, 2010

Pennville Industrial Development Committee, Inc.Statement of Financial PositionDecember 31, 2008AssetsCurrent Assets:

Cash and cash equivalents	\$ 62,804
Interest receivable	6,277
Rent receivable	5,325
Current portion of notes receivable	<u>55,504</u>
Total current assets	<u>129,910</u>

Land, buildings and equipment:

Land	136,802
Buildings	328,156
Improvements	<u>4,491</u>
	469,449
<u>Less: Accumulated depreciation</u>	<u>(107,411)</u>
Total land, buildings, and equipment	<u>362,038</u>

Noncurrent Assets:

Note receivable - GFT line of credit	483,324
Note receivable - Adair receivable	24,693
Note receivable - Adair line of credit	2,871
Note receivable - Pennville Syndicate receivable	27,000
Note receivable - Town of Pennville grant match	<u>40,200</u>
	578,088
<u>Less: Allowance for doubtful accounts</u>	<u>(489,601)</u>
Total noncurrent assets	<u>88,487</u>
Total assets	<u>\$ 580,435</u>

Pennville Industrial Development Committee, Inc.Statement of Financial PositionDecember 31, 2008Liabilities and Net AssetsCurrent Liabilities:

Interest payable	\$ 187
Current portion noncurrent liability	<u>6,257</u>
Total current liabilities	<u>6,444</u>

Noncurrent Liabilities:

Mortgage payable	<u>120,639</u>
Total noncurrent liabilities	<u>127,083</u>

Net Assets:

Unrestricted	<u>453,352</u>
Total net assets	<u>453,352</u>
Total liabilities and net assets	<u>\$ 580,435</u>

Pennville Industrial Development Committee, Inc.Statement of ActivitiesFor the Year Ended December 31, 2008

	<u>Unrestricted</u>
<u>Support and Revenues:</u>	
Rental income	\$ 24,675
Interest income - Notes receivable	26,918
Interest income - Investments	8,400
Miscellaneous income	<u>1,340</u>
Total support	<u>61,333</u>
 <u>Expenses:</u>	
Program services	<u>545,868</u>
Total expenses	<u>545,868</u>
<u>Change in Net Assets</u>	(484,535)
<u>Net Assets - Beginning</u>	<u>937,887</u>
<u>Net Assets - Ending</u>	<u>\$ 453,352</u>

Statement of Functional Expenses

For the Year Ended December 31, 2008

<u>Expenses:</u>	<u>Program Services</u>
Property taxes	\$ 3,040
Closing expense	844
Penalties	1,131
Maintenance	393
Mortgage interest	15,030
Professional services	2,162
Depreciation	10,772
Bad debt expense	512,036
Miscellaneous expense	<u>460</u>
 Total expenses	 <u>\$ 545,868</u>

Pennville Industrial Development Committee, Inc.Statement of Cash FlowsFor the Year Ended December 31, 2008Cash Flows from Operating Activities :

Change in net assets	<u>\$ (484,535)</u>
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Adjustments to reconcile change in net assets to  
net cash provided (used) by operating activities:

Depreciation	10,772
Bad debt expense	22,435
Allowance for doubtful accounts	489,601

(Increase) decrease in assets:

Notes receivable	(185,906)
Rent receivable	(5,325)

Increase (decrease) in liabilities:

Interest payable	187
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Total adjustments	<u>331,764</u>
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Net cash flow provided (used) by operating activities	<u>(152,771)</u>
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Cash Flows from Investing Activities :

Proceeds - Sale of investments	182,625
Payments - Purchase of property and equipment	(4,491)
Payments - Purchase of investments	<u>(53,065)</u>

Net cash flow provided (used) by investing activities	<u>125,069</u>
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Pennville Industrial Development Committee, Inc.Statement of Cash FlowsFor the Year Ended December 31, 2008Cash Flows from Operating Activities: (continued)Cash Flow from Financing Activities :

Payments - Notes payable	(12,076)
Net cash flow provided (used) by financing activities	<u>(12,076)</u>
Net (increase) decrease in cash and cash equivalents	(39,778)
Cash and cash equivalents - Beginning	<u>49,518</u>
Cash and cash equivalents - Ending	<u>\$ 9,740</u>

Supplemental Cash Flow Information :

Interest paid	<u>\$ 15,030</u>
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Pennville Industrial Development Committee, Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**GENERAL** - Pennville Industrial Development Committee, Inc. (the Organization) is operated to encourage business to originate, expand current facilities, or relocate in areas within Pennville, Indiana, in order to expand job opportunities of the residents of Pennville, Indiana.

**CASH AND CASH EQUIVALENTS** - For the purpose of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**NOTES RECEIVABLE** - The carrying amounts reported in the statement of financial position are recorded at the time the service is performed, fewer adjustments made at the end of year for accounts deemed to be uncollectible.

**ALLOWANCE FOR DOUBTFUL ACCOUNTS** - The allowance for doubtful accounts is increased when notes receivables and the corresponding interest is deemed uncollectible. Collectability is determined based on compliance with the note agreement and ability to repay.

**INCOME TAX STATUS** - The Organization is unable to provide documentation that they have been deemed exempt from federal income tax under the Internal Revenue Code. In addition, the Organization has been determined by the state of Indiana to be a not-for-profit organization.

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

**CONCENTRATION OF RISK** - The Organization receives its initial capital from Jay County's County Economic Development Income Tax Certified Distribution as pooled by the county. With these funds, the Organization grants loans and rents space to local businesses, thereby earning rental and interest income. For the year ended December 31, 2008, \$24,675 was recorded as rental income from two local businesses, which approximated 40% of the Organization's total income. Also, there was \$26,918 in interest income from loans to local business, which approximates 44% of the total. Of the total of interest income, \$26,646 has been accrued in the allowance for doubtful accounts.

NOTE 2 - PROPERTY AND EQUIPMENT

Property is carried at cost. The Organization provides for depreciation using the straight line method over an estimated useful asset life of thirty-nine years. Improvements are depreciated using the straight-line method over an estimated useful life of fifteen years.

Pennville Industrial Development Committee, Inc.Notes to the Financial StatementsFor the Year Ended December 31, 2008NOTE 2 - PROPERTY AND EQUIPMENT (continued)

Maintenance and repair costs are charged to expenses as incurred, and renewals and improvements are added to the equipment accounts.

The cost of property and improvements, accumulated depreciation, and depreciation expenses are detailed as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Land	\$ 136,802	\$ -
Building and renovation costs	328,156	(105,053)
Improvements	4,491	(2,358)
	<u>469,449</u>	<u>(107,411)</u>
Total land, building, and renovation costs	<u>469,449</u>	<u>(107,411)</u>
	<u>\$ 469,449</u>	<u>\$ (107,411)</u>

Depreciation expense for the year amounted to \$10,772.

NOTE 3 - MARKETABLE SECURITIES

At December 31, 2008, the Organization maintained the following investment portfolio:

	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>	<u>Carrying Value (Market)</u>
Cash and cash equivalents	\$ 9,740	\$ -	\$ 9,740
Certificate of deposit	53,064	-	53,064
Interest receivable	6,277	-	6,277
	<u>\$ 69,081</u>	<u>\$ -</u>	<u>\$ 69,081</u>

Interest, dividend, and capital gain income  
for the year totaled

\$ 6,277

Pennville Industrial Development Committee, Inc.Notes to the Financial StatementsFor the Year Ended December 31, 2008NOTE 3 - MARKETABLE SECURITIES (continued)

The above funds are included on the statement of financial position at market value. Interest income earned on these investments during the year ended December 31, 2008, is included in "Interest income" on the Statement of Activities.

NOTE 4 - NOTES PAYABLE

The Organization carried the following bank notes payable at December 31, 2008:

	Due Within One Year	Due After One Year
Term note, First Merchants Bank. The note is dated January 29, 2008, and requires monthly principal and interest payments, which began January 2008. The note carries a variable interest rate of 6.729%, with the variable rate to be 3.759% over the weekly average yield on US Treasury Securities adjusted to constant maturity of five years, rounded up to the nearest 1/8. The rate may be changed each 60 months. The note is due January 29, 2023 and is secured by a mortgage on the real estate. The note requires monthly payments of \$1,227.	\$6,257	\$120,639

5-year debt amortization:

2009	\$ 6,257
2010	6,697
2011	7,169
2012	7,674
2013	8,214
Thereafter	90,885
	<u>\$ 126,896</u>

NOTE 5 - NOTES RECEIVABLE

The Organization loans money to businesses and individuals within Pennville, Indiana to further economic growth. The loans are typically interest bearing and secured with collateral. The individual loans are listed in detail below.

Pennville Industrial Development Committee, Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2008

NOTE 5 - NOTES RECEIVABLE (continued)

From October 15, 1997 to December 27, 1999, the Organization loaned a municipality \$75,000 for water improvement. This is a grant match program and is interest-free. At December 31, 2008 this loan was current with no past due balance. Unpaid principal amounts to \$40,200.

On April 15, 2003, the Organization granted a local business a line of credit. At December 31, 2008, the line of credit had an unpaid principal balance of \$483,324 and unpaid earned interest of \$26,646. There are currently no plans to increase this line of credit. There is a promissory note signed by both parties. Additionally, the Organization utilized a UCC filing to stake an interest in the business's assets in the event of default, but other debt holders have priority. This line of credit is past due as of December 31, 2008, and has been included in the allowance for doubtful accounts. This line of credit is due to mature on June 16, 2023.

On April 4, 2005, the Organization loaned a local business \$31,500 with an interest rate of 6.5%. A payment of \$275 is due monthly and includes interest and principal. At December 31, 2008, this note is current and has an unpaid principal balance of \$26,330. This note will mature on April 1, 2020.

On December 1, 2007, the Organization loaned a local business \$7,500 with an 8.5% interest rate. A payment of \$237, including both interest and principal, is payable monthly. There is a UCC filing for this loan and collateral against the loan consists of two pieces of business equipment. At December 31, 2008, this note is current and has an unpaid principal balance of \$5,370. This note matures on January 1, 2011.

On January 1, 2008, the Organization began to loan money to an organization. This organization is a related party. The final draw on October 28, 2008, brought the ending loan balance to \$28,000. The loan is interest-free and payments of no less than \$1,000 are due annually. At December 31, 2008, this loan is not past due and unpaid principal amounts to \$28,000. This loan will mature on November 13, 2036.

On December 4, 2008, the Organization loaned an individual \$50,100 for the purchase of a commercial building in Pennville, Indiana. This loan was short-term in nature and no interest was charged. The full balance was due and paid as of January, 2009.

NOTE 6 - RELATED PARTY TRANSACTIONS

During the year ended December 31, 2008, the Organization held an interest free loan receivable with a related party organization with a balance of \$28,000. The President and one other member on the Organization's board also serve on the related party's board.

Pennville Industrial Development Committee, Inc.

Notes to the Financial Statements

For the Year Ended December 31, 2008

NOTE 7 - COMPLIANCE WITH LEGAL AND REGULATORY REQUIREMENTS

The Organization has never filed a tax return. In addition, there is no record that the IRS has determined that the Organization is tax exempt. Substantial fines and penalties could result due to noncompliance.

Additionally, the completeness of the State Board of Account Business Entity Report (Form E-1) could not be verified due to lack of transparency of manual records.