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AN EQUAL OPPORTUNITY EMPLOYER

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May 23, 2018

Board of Directors
Scott County Economic Development Corporation
821 S. Lake Road South
Scottsburg, IN 47170

We have reviewed the report prepared by Scott County Economic Development Corporation and opined upon by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Report of Independent Auditors* the financial statements included in the report present fairly the financial condition of Scott County Economic Development Corporation as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the Going Concern paragraph included in the Report of Independent Auditors and further detailed in Note 8.

In our opinion, Blue & Co., LLC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

**SCOTT COUNTY ECONOMIC
DEVELOPMENT CORPORATION**

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2016 AND 2015

CPAs / ADVISORS



SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Scott County Economic Development Corporation
Scottsburg, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Scott County Economic Development Corporation (the "Organization"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2016 and 2015, 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.

Going Concern

As discussed in Note 2 to the financial statements, the Organization adopted Accounting Standards Update (ASU) No. 2014-15, *Presentation of Financial Statements – Going Concern (Topic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* during 2016. In addition, the accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 8 to the financial statements, the Organization has suffered recurring losses from operations and a deficit in net assets that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters also are described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to these matters.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedules of Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Blue & Co., LLC

Seymour, Indiana

January 30, 2018

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
Cash	\$ 50	\$ 14,757
Accounts receivable	228,283	229,488
Equipment, net	<u>1,190</u>	<u>2,080</u>
	<u>\$ 229,523</u>	<u>\$ 246,325</u>

LIABILITIES AND NET ASSETS

Liabilities		
Cash overdraft	\$ 48,241	\$ -0-
Accounts payable	55,295	212,985
Accrued expenses	-0-	4,111
Contributions held for others	<u>369,151</u>	<u>259,322</u>
Total liabilities	472,687	476,418
Unrestricted net assets (deficit)	<u>(243,164)</u>	<u>(230,093)</u>
	<u>\$ 229,523</u>	<u>\$ 246,325</u>

See accompanying notes to financial statements.

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Support and revenues		
Grant income:		
Local government	\$ 130,000	\$ 130,000
Adult education	<u>997,384</u>	<u>1,174,593</u>
Total grant income	1,127,384	1,304,593
Contributions	3,000	22,384
Management fees	95,000	95,000
Interest income	43	39
Miscellaneous income	<u>2,661</u>	<u>9,634</u>
	<u>100,704</u>	<u>127,057</u>
Total support and revenues	1,228,088	1,431,650
Expenses		
Economic development	1,134,768	1,322,108
Management and general	<u>106,391</u>	<u>129,118</u>
Total expenses	<u>1,241,159</u>	<u>1,451,226</u>
Change in net assets	(13,071)	(19,576)
Net assets (deficit), beginning of year	<u>(230,093)</u>	<u>(210,517)</u>
Net assets (deficit), end of year	<u><u>\$ (243,164)</u></u>	<u><u>\$ (230,093)</u></u>

See accompanying notes to financial statements.

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Operating activities		
Change in net assets	\$ (13,071)	\$ (19,576)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	890	890
Changes in assets and liabilities:		
Accounts receivable	1,205	64,319
Accounts payable	(157,690)	99,838
Accrued expenses	(4,111)	1,195
Contributions held for others	<u>109,829</u>	<u>(102,101)</u>
Net cash flows from operating activities	(62,948)	44,565
Financing activities		
Payments on related party note payable	-0-	(15,000)
Change in cash overdraft	<u>48,241</u>	<u>(14,858)</u>
Net cash flows from financing activities	<u>48,241</u>	<u>(29,858)</u>
Net change in cash	(14,707)	14,707
Cash, beginning of year	<u>14,757</u>	<u>50</u>
Cash, end of year	<u>\$ 50</u>	<u>\$ 14,757</u>

See accompanying notes to financial statements.

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Scott County Economic Development Corporation (the "Organization") is a not-for-profit corporation which is governed by a Board of Directors. The Organization aids Scott County, Indiana, by being dedicated to strengthening the business community and creating quality career opportunities. Also, the Organization manages the Mid-America Science Park (MASP) which is a comprehensive science park that provides access for business incubation and acceleration, training and workforce development, and worldwide communications and conference centers.

Management's Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported support, revenues and expenses. Actual results could vary from the estimates that were used.

Basis of Presentation

Net assets, support, revenues, investment return, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. The net assets of the Organization are classified and reported as unrestricted net assets as they are not subject to donor-imposed restrictions.

Equipment

Items capitalized as part of equipment are valued at cost. Maintenance and repairs are expensed as incurred. The Organization uses the straight line method of computing depreciation at rates adequate to depreciate the cost of the applicable assets over their useful lives ranging from 3 to 7 years.

Contributions Held for Others

Contributions held for others represent funds related to MASP received in advance of the period in which the related services will be provided. Based on the nature of this funding, the Organization does not recognize revenue or expense related to this agreement, rather it is include in the change in this liability (see Note 5).

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

Support and Revenue Recognition

Revenue from grants is recognized as related expenses are incurred. All other support and revenue is recognized when earned.

Expense Allocation

The costs of providing the Organization's various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited. While the methods of allocation are considered appropriate, other methods could produce different results.

Income Taxes

The Organization is organized as a not-for-profit corporation under Section 501(c)(3) of the United States Internal Revenue Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements.

As such, the Organization is generally exempt from income taxes. However, the Organization is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the Organization's ability to continue as a going concern for a period of one year from the date the financial statements are issued.

Subsequent Events

The Organization has evaluated events or transactions occurring subsequent to the Statement of Financial Position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued, which is January 30, 2018.

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

2. CHANGE IN ACCOUNTING PRINCIPLE

During 2016, the Organization adopted Accounting Standards Update (ASU) No. 2014-15, *Presentation of Financial Statements – Going Concern (Topic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU No. 2014-15 requires management to evaluate whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern for a period of one year from the date the financial statements are issued. When conditions or events that raise substantial doubt exist, additional disclosures will be required to enable financial statement users to understand those conditions or events, management's evaluation of them and management's plans that either alleviated substantial doubt or are intended to mitigate the conditions or events that raise substantial doubt. Note 8 to the financial statements has been updated to comply with the new disclosure requirements of ASU No. 2014-15.

3. ACCOUNTS RECEIVABLE

Accounts receivable of \$228,283 and \$229,488 as of December 31, 2016 and 2015, respectively, relate mostly to grant reimbursements and rental income.

Management estimates an allowance for doubtful receivables based on an evaluation of historical losses, current economic conditions, and other factors unique to the Organization. No allowance for doubtful receivables was determined to be necessary at December 31, 2016 and 2015.

4. EQUIPMENT

A summary of equipment at December 31, 2016 and 2015, is as follows:

	2016	2015
Equipment	\$ 11,683	\$ 11,683
Less accumulated depreciation	<u>10,493</u>	<u>9,603</u>
	<u>\$ 1,190</u>	<u>\$ 2,080</u>

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

5. CONTRIBUTIONS HELD FOR OTHERS

The Organization receives revenue from the City of Scottsburg to manage and market the MASP. Contributions held for others represent that portion of revenue relating to the MASP attributable to services required to be provided by the Organization that have not yet been performed.

A summary of contributions held for others relating to the MASP at December 31, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 259,322	\$ 361,423
Additional support	1,005,289	752,083
Expenditures	<u>(895,460)</u>	<u>(854,184)</u>
Ending balance	<u>\$ 369,151</u>	<u>\$ 259,322</u>

6. RETIREMENT SAVINGS PLAN

The Organization has a 403(b) deferred savings plan available to all employees. The Organization's contributions to the plan amounted to \$6,148 and \$5,833 for the years ended December 31, 2016 and 2015, respectively.

7. OPERATING LEASE

The Organization leased office space from the City of Scottsburg on a month-to-month basis with monthly payments of \$500. Total rent expense for the years ended December 31, 2016 and 2015 was \$6,000.

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

8. GOING CONCERN ISSUES ARISING FROM RECURRING LOSSES

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As shown in the financial statements, the Organization has sustained recurring operating losses and has deficit net assets at December 31, 2016 and 2015. At December 31, 2016, total liabilities exceed total assets by approximately \$243,000. These factors raise substantial doubt about the Organization's ability to continue as a going concern. Management acknowledged that, in its current financial condition, the Organization would be unable to meet its obligations. Management has developed a plan to raise additional capital by seeking additional grant money from both local governments within Scott County as well as other sources. The Organization will continue to receive management fees for managing the MASP. The Organization's continued existence is dependent on its ability to achieve profitable operations and positive cash flows. Because it is not possible at this time to predict the outcome of management's efforts, substantial doubt remains regarding the ability of the Organization to continue as a going concern during the ensuing year.

SUPPLEMENTARY INFORMATION

SCOTT COUNTY ECONOMIC DEVELOPMENT CORPORATION

SCHEDULES OF EXPENSES YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Staff salaries and wages	\$ 128,517	\$ 130,168
Payroll taxes	11,089	12,987
Pension and profit sharing	6,148	5,833
Adult education	1,016,531	1,201,815
Rent	6,000	6,000
Marketing	7,473	17,637
Travel	3,171	321
Business meals and entertainment	2,034	3,780
Software upgrades	780	558
Depreciation	890	890
Office supplies and postage	2,112	7,855
Telephone	3,697	5,535
Dues and subscriptions	4,785	7,471
Professional services	3,925	14,390
Conferences and meetings	-0-	5,746
Insurance	24,403	28,671
Downtown Revitalization Initiative	16,439	-0-
Miscellaneous	<u>3,165</u>	<u>1,569</u>
	<u>\$ 1,241,159</u>	<u>\$ 1,451,226</u>

See Report of Independent Auditors on pages 1 and 2.