

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**

(A COMPONENT UNIT OF JACKSON COUNTY, MICHIGAN)

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2007

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON
ANNUAL FINANCIAL REPORT
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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
The Economic Development Corporation
Of The County of Jackson

We have audited the accompanying financial statements of the governmental activities and each major fund of **The Economic Development Corporation of the County of Jackson** (the "EDC", a component unit of the County of Jackson, Michigan), as of and for the year ended December 31, 2007, which collectively comprise the EDC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the EDC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 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 opinions.

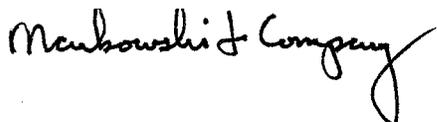
As discussed in Note A, the financial statements present only The Economic Development Corporation of the County of Jackson and do not purport to, and do not, present fairly the financial position of Jackson County, Michigan as of December 31, 2007, and the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of The Economic Development Corporation of the County of Jackson as of December 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also issued our report dated May 23, 2008 on our consideration of EDC's internal control over financial reporting and 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 on 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information presented on pages 3-8 and pages 22 - 23, respectively, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the EDC's basic financial statements. The accompanying additional information – History of Bond Issues (pages 37 through 40) - is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards listed is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements of the EDC. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The History of Bond Issues has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



MARKOWSKI & COMPANY CPAs
May 23, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007**

This section of The Economic Development Corporation of the County of Jackson's (the "EDC") financial statements presents our discussion and analysis of the EDC's financial performance during the year ended December 31, 2007. It should be read in conjunction with the EDC's financial statements and the accompanying notes.

FINANCIAL HIGHLIGHTS

- The EDC's net assets increased by \$3,844 during the year, versus a decrease of \$111,567 in 2006.
- Program revenues were down - \$42,506 in 2007 versus \$63,367 in 2006.
- Expenditures/expenses decreased to \$46,115 in 2007 from \$184,144 in 2006.

USING THIS ANNUAL FINANCIAL REPORT

This annual report consists of a series of financial statements. Government-wide financial statements (the Statement of Net Assets and the Statement of Activities) are reported using the accrual method of accounting. These statements are designed to provide information about the EDC as a whole and present a longer-term view of the EDC's finances. The Fund financial statements provide more detail about the EDC's financial activities, because they report information for each fund maintained by the EDC. We decided to present each fund of the EDC as a major fund, as they are all significant. These statements are prepared under the modified accrual basis of accounting, which in our case does not materially differ from the full accrual method of accounting.

Because the EDC is a special purpose government, we are able to report our government-wide financial statements and our fund financial statements using a modified report format. The fund financial statement presentation is presented, and then an adjustments column is shown to reconcile to the new government-wide reporting format.

Because of the nature of the EDC's activities, there are no differences between the two reports. The EDC does not have any capital assets or long term debt, two of the most common differences between the reporting formats.

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
DECEMBER 31, 2007

Reporting the EDC as a Whole

Our analysis of the EDC as a whole begins on page 5. One of the most important questions asked about the EDC's finances is, "Is the EDC as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the EDC as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the EDC's net assets and changes in them. You can think of net assets – the difference between its assets and liabilities – as one way to measure the EDC's financial health, or financial position. Over time, increases or decreases in the EDC's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors will also need to be considered when assessing the overall health of the EDC.

Because the EDC is a special purpose government, its activities are all reported as governmental.

Reporting the EDC Funds

Each of the EDC's three funds is considered significant, whether due to their nature (the Operating Fund) or amount of assets (the Economic Development Administration Revolving Loan Fund and the Small Cities Revolving Loan Fund). As discussed above, the fund financial statements provide detailed information about the funds, and not the EDC as a whole. The EDC established funds to properly account for the grant funds received to establish revolving loan funds (An \$87,500 grant from the HUD Small Cities program seeded the Small Cities Revolving Loan Fund; one grant for \$500,000 from the Economic Development Administration plus a \$166,666 allocation from the City of Jackson's HUD Community Development Block Grant seeded the EDA Revolving Loan Fund) and its general operations.

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
DECEMBER 31, 2007

Reporting the EDC Funds (Continued)

These funds are all governmental funds, and as such they focus on how money flows into and out of the funds and balances left at year end for spending. These funds use the modified accrual method of accounting, which measures cash and all other financial assets which can readily be converted to cash. These statements provide a detailed short-term view of the EDC's operations.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They can be found on pages 11-19 of this report.

SUPPLEMENTARY INFORMATION

The EDC is required to present a budgetary analysis of its fund financial statements. This reports how the activities of the EDC performed against budgeted amounts. There were no budget amendments made during 2007.

The EDC also is required to present a Schedule of Expenditure of Federal Awards for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule can be found on page 24 of this report.

FINANCIAL ANALYSIS OF THE EDC AS A WHOLE

The EDC is a special purpose government. It was established under Michigan Statutes for the purpose of offering economic development incentives to retain and attract businesses to Jackson County. These economic incentives consist of the ability to issue tax-exempt bonds, providing lower cost financing for projects, through its general operating fund (the EDC retains no liability for this conduit debt), and make low interest rate loans from one of its revolving loan funds. As such, the EDC is not a money maker by its nature. With this in mind, the financial analysis begins in the following paragraph.

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
DECEMBER 31, 2007**

FINANCIAL ANALYSIS OF THE EDC AS A WHOLE (Continued)

The EDC's net assets increased from \$1,387,540 to \$1,391,384, a \$3,844 increase for the year ended December 31, 2007. This is up from the 2006 net asset decrease of \$111,567 because of a one time grant to the Village of Parma LDFA made in 2006. The net assets and changes in net assets are summarized in the following condensed financial information:

**Condensed Statement of Net Assets
December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Assets:		
Current Assets	\$ 739,480	\$ 648,743
Other Assets	664,768	748,043
Total assets	<u>\$ 1,404,248</u>	<u>\$ 1,396,786</u>
Liabilities:		
Current Liabilities	\$ 12,864	\$ 9,246
Net Assets - Unrestricted	<u>1,391,384</u>	<u>1,387,540</u>
	<u>\$ 1,404,248</u>	<u>\$ 1,396,786</u>

**Condensed Statement of Activities
Years Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Program expenditures	\$ 46,115	\$ 184,144
Program revenues	42,506	63,367
Net Program (costs) revenues	<u>(3,609)</u>	<u>(120,777)</u>
General revenues	7,453	9,210
Change in net assets	<u>3,844</u>	<u>(111,567)</u>
Net assets - Beginning of year	<u>1,387,540</u>	<u>1,499,107</u>
Net assets - End of year	<u>\$ 1,391,384</u>	<u>\$ 1,387,540</u>

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
DECEMBER 31, 2007

FINANCIAL ANALYSIS OF THE EDC'S FUNDS (Continued)

As noted previously, overall there are no differences between the government-wide and fund financial statements of the EDC. It should be noted that the EDC's Operating fund had an increase in its fund balance as a result of operations during both 2007 and 2006.

A slight increase in the EDA Revolving Loan Fund's fund balance in 2007 marks the second straight year of an excess of revenues over expenditures.

The Small Cities Revolving Loan Fund's had a slight decrease in fund balance for 2007, as administrative costs exceeded the revenue generated. There was a large decrease in 2006 is the result of a grant to the Village of Parma LDFA.

BUDGETARY HIGHLIGHTS

The Board of Directors adopted budgets for each of the EDC's funds prior to the start of 2007. There were no amendments to these original budgets during the year.

Revenues available for the year ended December 31, 2007 were slightly less than the budgeted amounts. This was primarily the result of delays in issuing bonds (bonds closed in January 2008)- the EDC charges a fee based on the face amount of bonds issued. This was offset by the interest earned on outstanding loans and the investment of surplus cash.

The EDC management contract includes incentives based on the financial performance of the EDC, in an effort to encourage management to promote the tax-exempt bonds and loans from the revolving funds. Because revenues were slightly below expectations, the expenditures are also accordingly under budgeted amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The EDC has no capital assets or long-term debt. The EDC is not obligated in any manner for the repayment of tax-exempt bonds issued through it for private-sector companies (conduit debt); accordingly, these bonds are not reported as a liability of the EDC.

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
DECEMBER 31, 2007

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board of the EDC considers many factors when determining its budgets for the 2008 fiscal year. Among these is the state of the economy. Factors are indicating a decrease in economic activity during 2008, although the local manufacturing economy continues to struggle. During these slow economic times, the services of the EDC are in the most demand.

Projections for 2008 include increased activity in the issuance of tax-exempt bonds (including the project carried over from 2007). The scope of work for 2008 also includes implementing strategies to take advantage of the EDC's financing tools in the County's Renaissance Zones and Creative Industries projects. This increased activity should result in greater revenue for the EDC in 2008.

Overall, the EDC expects to break even in its 2008 budgets. This will be accomplished while also increasing the number of businesses served and having a positive impact on the local economy, which is the mission of the EDC.

CONTACTING THE EDC'S FINANCIAL MANAGEMENT

This annual report is designed to provide citizens, taxpayers, and businesses with a general overview of the EDC's finances, and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, you can contact the EDC's management at One Jackson Square, Suite 1100, Jackson, Michigan 49201.

BASIC FINANCIAL STATEMENTS

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON
STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET
DECEMBER 31, 2007**

	OPERATING FUND	EDA REVOLVING LOAN FUND	SMALL CITIES REVOLVING LOAN FUND	TOTAL
ASSETS				
Cash and cash equivalents	\$ 142,052	\$ 345,465	\$ 145,087	\$ 632,604
Notes receivable - Current (Note D)	-	106,876	-	106,876
Total current assets	142,052	452,341	145,087	739,480
Notes receivable - Long-term (Note D)	-	664,768	-	664,768
 Total assets	 \$ 142,052	 \$ 1,117,109	 \$ 145,087	 \$ 1,404,248
 LIABILITIES:				
Accounts payable	\$ -	\$ 11,177	\$ -	\$ 11,177
Due to other governments	-	1,687	-	1,687
Total liabilities	-	12,864	-	12,864
 FUND BALANCES:				
Designated fund balance	-	200,000	-	200,000
Reserved fund balance	-	771,644	-	771,644
Unreserved fund balance	142,052	132,601	145,087	419,740
Total fund balances	142,052	1,104,245	145,087	1,391,384
 Total liabilities and fund balances	 \$ 142,052	 \$ 1,117,109	 \$ 145,087	 \$ 1,404,248
 NET ASSETS:				
Unrestricted				
Total net assets				
 Total liabilities and net assets				

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

<u>ADJUSTMENTS</u>	<u>STATEMENT OF NET ASSETS</u>
\$ -	\$ 632,604
-	106,876
<u>-</u>	<u>739,480</u>
<u>-</u>	<u>664,768</u>
<u>\$ -</u>	<u>1,404,248</u>
\$ -	11,177
-	1,687
<u>-</u>	<u>12,864</u>
(200,000)	-
(771,644)	-
(419,740)	-
<u>(1,391,384)</u>	<u>-</u>
1,391,384	1,391,384
<u>\$ -</u>	<u>1,391,384</u>
	<u>\$ 1,404,248</u>

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
THE YEAR ENDED DECEMBER 31, 2007

	OPERATING FUND	EDA REVOLVING LOAN FUND	SMALL CITIES REVOLVING LOAN FUND	TOTAL
EXPENDITURES/EXPENSES:				
Economic Development Programs:				
Management - Contractual	\$ -	\$ 40,006	\$ 2,359	\$ 42,365
Professional services	525	2,325	650	3,500
Bank fees	100	75	75	250
Loan closing costs	-	-	-	-
Grant	-	-	-	-
Total expenditures/expenses	<u>625</u>	<u>42,406</u>	<u>3,084</u>	<u>46,115</u>
PROGRAM REVENUES:				
Charges for service	-	-	-	-
Interest income - loans	-	39,647	2,359	42,006
Other	-	500	-	500
Total program revenues	<u>-</u>	<u>40,147</u>	<u>2,359</u>	<u>42,506</u>
Net program (expenses) revenue	<u>(625)</u>	<u>(2,259)</u>	<u>(725)</u>	<u>(3,609)</u>
GENERAL REVENUES:				
Interest income	4,435	2,198	820	7,453
Total general revenues	<u>4,435</u>	<u>2,198</u>	<u>820</u>	<u>7,453</u>
EXCESS OF REVENUES OVER EXPENDITURES	3,810	(61)	95	3,844
CHANGE IN NET ASSETS				
FUND BALANCE/NET ASSETS:				
Beginning of the year	138,242	1,104,306	144,992	1,387,540
End of the year	<u>\$ 142,052</u>	<u>\$ 1,104,245</u>	<u>\$ 145,087</u>	<u>\$ 1,391,384</u>

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

<u>ADJUSTMENTS</u>	<u>STATEMENT OF ACTIVITIES</u>
\$ -	\$ 42,365
-	3,500
-	250
-	-
-	-
<u>-</u>	<u>46,115</u>
-	-
-	42,006
-	500
<u>-</u>	<u>42,506</u>
-	-
<u>-</u>	<u>(3,609)</u>
-	-
<u>-</u>	<u>7,453</u>
<u>-</u>	<u>7,453</u>
-	-
-	3,844
<u>-</u>	<u>1,387,540</u>
<u>\$ -</u>	<u>\$ 1,391,384</u>

NOTES TO THE FINANCIAL STATEMENTS

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**

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**THE ECONOMIC DEVELOPMENT CORPORATION OF THE
COUNTY OF JACKSON**

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1. Reporting Entity

The Economic Development Corporation of the County of Jackson (the “EDC”) is a component unit of Jackson County, Michigan. The EDC is a public body, non-profit corporation, organized and existing under and pursuant to the laws of the State of Michigan. Its existence is authorized by Act No. 338 of the Public Acts of Michigan, 1974, as amended.

The powers and duties of the EDC include the right to borrow money and to issue bonds and notes. However, the bonds and notes shall not be a general obligation or indebtedness of the issuer (the EDC) or of the County of Jackson and shall never constitute nor give rise to pecuniary liability, a charge against its general credit, or the taxing powers of the issuer or the County of Jackson.

The EDC is administered by a nine member Board of Directors, appointed by the Jackson County Board of Commissioners. The Board of Directors appoints an executive director to administer the daily operations of the EDC.

The financial statements of the EDC have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied unless they conflict with or contradict GASB pronouncements, in which case the GASB pronouncements prevail. The more significant of the EDC’s accounting policies are described below.

Effective January 1, 2003 the EDC implemented the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Some of the significant changes in the EDC’s financial reporting as a result of this statement include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the EDC’s overall financial position and results of operations is included with the financial statements.

Government-wide financial statements prepared using the full accrual accounting for all of the EDC’s activities.

A change in the fund financial statements to focus on the major funds.

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

2. Basic Financial Statements – Government-Wide and Governmental Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the EDC. The EDC operations consist solely of governmental-type activities; it has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to users or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other income not properly included among program revenues are reported instead as general revenue.

The fund financial statements are provided for governmental funds, and have been reported in conjunction with the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statement.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The EDC uses funds and account groups to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities.

Governmental fund financial statements are reported using the current financial resources measurement focus and a modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the EDC considers revenues to be available if they are collected within 60 days of the fiscal year end.

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

Expenditures are generally recorded when a liability is incurred, the same as accrual accounting.

The EDC reports the following as major funds, in addition to its operating fund:

The Small Cities Revolving Loan Special Revenue Fund was established to account for grant funds received from the Michigan Department of Commerce's Small Cities Fund. These grant funds have been received for the purpose of making loans to private business enterprises, thereby encouraging economic growth. Repayments of the original loans are to be used for making similar loans to encourage job development and retention. As of December 31, 2007, the EDC has received \$837,500 of grant funds from the Michigan Department of Commerce, and loaned \$455,890 and granted \$124,345 of repaid funds to local businesses and units of government.

The EDA Revolving Loan Special Revenue Fund was established with a \$500,000 grant from the U.S. Department of Commerce Economic Development Administration (EDA), which was awarded to the County of Jackson in 1984. In accordance with the terms of the grant agreement, local match funds of \$166,666 were received from the City of Jackson's Community Development Department and its HUD Community Development Block Grant funds. Funds provided by repayment of the original loans are available for making loans to qualifying businesses in an effort to encourage economic development in both the City of Jackson and Jackson County. As of December 31, 2007, the EDC had loaned out the original \$666,666 of grant and match funds, and loaned \$2,077,300 from repaid funds.

4. Budgetary Procedures

The Board of Directors adopted a budget during a regularly scheduled open meeting. The budget was prepared on the cash basis of accounting, reporting principal payments received on notes as a source of cash. Modified accrual basis revenues and expenditures were extracted from the approved budget for these statements.

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**

NOTES TO THE FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

5. Investments

The Executive Director has been authorized to place funds in excess of current requirements in interest bearing savings accounts and certificates of deposit. During 1998, the Board also authorized the EDC to participate in an investment pool created under the Urban Cooperation Act of 1967. This pool invests in legally authorized investments including commercial paper, repurchase agreements, and United States government obligations. It is the policy of the EDC to consider all certificates of deposit with an original maturity of 90 days or more as an investment, and to treat those with an original maturity less than 90 days as cash equivalents. All investments of the EDC are reported at cost.

6. Notes Receivable

The EDC has loaned moneys from its revolving loan funds to various business entities throughout Jackson County, Michigan. While this presents a significant concentration of credit risk, no special collateral requirements have been imposed because the use of the funds is restricted to the geographical area both by Board action and grant agreements. These loans are reported as assets in the Special Revenue funds, with fund balance reserved for the balance of the loan outstanding at year end. The notes are reported at their face value; an allowance for nonperforming notes has been established as of December 31, 2007 to reflect the doubt of the EDC's ability to collect certain notes.

The EDC policy is to write off all loans for which no payments have been received over a twelve-month period as uncollectable. Since the inception of the Small Cities Revolving Loan Fund, two loans totaling \$759,441 have been written off. The EDA Revolving Loan Fund has written off three loans totaling \$268,626 since its inception.

7. Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**

NOTES TO THE FINANCIAL STATEMENTS

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

BUDGET VIOLATIONS:

Public Act #621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. In the body of the financial statements, the EDC's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. For the year ended December 31, 2007, the EDC incurred expenditures in the budgetary funds which were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
EDA Revolving Loan Fund:			
Total expenditures	\$ 35,626	\$ 42,406	\$ (6,780)
Small Cities Revolving Loan Fund:			
Total expenditures	\$ 2,197	\$ 3,084	\$ (887)

Spending amounts in excess of budget (appropriations) is a violation of state law. The EDC Board did not amend its original 2007 budget during the year ended December 31, 2007.

NOTE C – CASH AND INVESTMENTS:

Cash and investments of the EDC can be defined as follows: Cash and cash equivalents consist of deposits (checking and savings accounts) and its investments in the investment pool, which have a liquidity similar to that of cash. The deposits are held at three local banks, in the name of the EDC.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The EDC minimizes this risk by investing in highly liquid securities.

Concentration of Credit Risk

The EDC's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law. Approximately 85% of the EDC's deposits are held in one bank.

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**

NOTES TO THE FINANCIAL STATEMENTS

NOTE C – CASH AND INVESTMENTS: (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized; collateralized with securities held by the pledging financial institution; or collateralized with securities held by the pledging financial institution’s trust department or agent but not in the EDC’s name.

The custodial credit risk for investments is that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the EDC will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the EDC’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following provision for deposits: Michigan law (MCL 129.33) requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by the public agencies.

As of December 31, 2007, \$437,658 of the EDC’s deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

The risk disclosure for the EDC’s cash and investments is as follows:

	Carrying Amount	Bank Balance
Cash and Cash Equivalents:		
Insured (FDIC)	\$ 183,104	\$ 183,104
Uninsured	437,659	437,659
	<u>620,763</u>	<u>620,763</u>
Uncategorized:		
Investment Pool	11,841	11,841
	<u>\$ 632,604</u>	<u>\$ 632,604</u>

The EDC did not violate any of its investment policies or related state laws during the year ended December 31, 2007.

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**

NOTES TO THE FINANCIAL STATEMENTS

NOTE D - NOTES RECEIVABLE:

As discussed in Note A (6), the EDC has several notes receivable outstanding at December 31, 2007. These loans are made at the discretion of the Board of Directors, acting upon the advice of a loan review committee consisting of two EDC board members and two commercial loan officers from local financial institutions. Monthly payments are due on all notes, with interest charged at various rates as determined by market conditions at the time of the loan.

The notes receivable have varying maturity dates, and some call for balloon payments due after five years. The loans are scheduled to be received as follows:

Due in the Year Ending	Amount
December 31, 2008	\$ 106,876
December 31, 2009	286,167
December 31, 2010	214,580
December 31, 2011	22,738
December 31, 2012	61,777
Thereafter	79,506
	\$ 771,644

Detail of the loans made by the revolving loan funds are as follows:

	Amount of Loan	Balance at Year End
SMALL CITIES REVOLVING LOAN FUND:		
City of Jackson (Accubilt, Inc.)	\$ 130,000	\$ -
Classic Images, Inc.	37,500	-
Dr. Salah Al-Huwais	36,250	-
Eagle Powder Coating, Inc.	200,000	-
Jackson Industrial Coating Service, Inc.	50,000	-
Jackson Innova	750,000	-
RHL Investment Co.	89,640	-
	\$ 1,293,390	\$ -

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**

NOTES TO THE FINANCIAL STATEMENTS

NOTE D - NOTES RECEIVABLE: (Continued)

	Amount of Loan	Balance at Year End
EDA REVOLVING LOAN FUND:		
ABC Academy	\$ 101,000	\$ -
Airmaster Fan Company	200,000	-
All Play and No Work	57,500	34,159
Allskate (1313 Corporation)	85,000	39,619
Anesthesia Business Consultants	175,000	156,398
Anesthesia Business Consultants	25,000	22,342
Belima Enterprises, Inc.	24,000	-
Camshaft Machine Company, LLC	200,000	30,542
Classic Appearances, Inc.	50,000	-
Colonial Development Corp.	58,800	-
Condex Heat Transfer	140,000	-
Daryl's Downtown (Lindar, LLC)	100,000	94,101
Elm Plating Co.	100,000	-
Engle Corporation	38,000	-
Great Lakes Metal Finishing, Inc.	55,000	-
Great Lakes Metal Finishing, Inc.	10,000	-
Harold O. Frye Funeral Home, Inc.	60,000	32,222
Jackson Innova	200,000	-
Jackson Oven Supply, Inc.	29,500	27,345
MB Automation, LLC	30,000	-
Michigan Forge & Engineering	47,000	-
Minor Properties, LLC	40,000	34,482
New World Plastics, Inc.	70,000	-
Northwest Refuse, Inc.	85,000	77,525
Pedal & Tour Inc.	60,000	-
Precise Test Lab, Inc.	96,416	62,948
Pro-Care Automotive, Inc.	35,000	14,673
Production Engineering Inc.	200,000	8,343
Production Engineering Inc.	100,000	7,388
Pump & Deli	30,000	-
Ramsey Holding Co. LLC	183,750	161,779
Royal Cabinet	58,000	-
Less: Allowance for nonperforming loan	-	(32,222)
Net loans - EDA Revolving Loan Fund	\$ 2,743,966	\$ 771,644
 Total loans	 \$ 4,037,356	 \$ 771,644

**THE ECONOMIC DEVELOPMENT CORPORATION OF THE
COUNTY OF JACKSON**

NOTES TO THE FINANCIAL STATEMENTS

NOTE E - RESERVED AND DESIGNATED FUND BALANCE:

Reserved fund balances have been reported in the funds of the EDC in amounts equal to the net notes receivable balance outstanding at year end.

Designated fund balance represents the amount of loans approved but not yet closed as of the fiscal year end.

The unreserved portion of fund balance in the Operating Fund represents the amount available to finance current operations, and in the Revolving Loan Funds it represents the amount currently available for loans.

NOTE F – DUE FROM/TO OTHER GOVERNMENTS:

The EDC has established a liability for the amounts it owes the Department of Housing and Urban Development (HUD). This balance is due because HUD requires all bank interest earned on unused Community Development Block Grant funds held in revolving loan funds be returned to them. The amount of bank interest earned during 2007 on such funds was \$3,276; the total amount payable to HUD at December 31, 2007 is \$1,687.

NOTE G - CONDUIT DEBT:

One of the primary resources available to the Economic Development Corporation of the County of Jackson in its efforts to promote economic growth is its ability to issue tax-exempt bonds on behalf of private-sector entities. Proceeds from the bonds are used to purchase or renovate buildings and equipment. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The County of Jackson and the Economic Development Corporation of the County of Jackson are not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Through the year ended December 31, 2007, the Economic Development Corporation of the County of Jackson has participated in the issuance of \$151.1 million of these bonds, as presented in the Additional Information section of this report. The balances outstanding at December 31, 2007 could not be determined.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE -
ALL GOVERNMENTAL FUNDS

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - ALL GOVERNMENTAL FUNDS
THE YEAR ENDED DECEMBER 31, 2007

	OPERATING FUND			EDA REVOLVING LOAN FUND		
	ORIGINAL BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)	ORIGINAL BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES:						
Charges for Service	\$ 12,500	\$ -	\$ (12,500)	\$ -	\$ -	\$ -
Interest - Loans	-	4,435	4,435	35,788	39,647	3,859
Interest - Investments	-	-	-	-	2,198	2,198
Other	-	-	-	-	500	500
Total revenues	12,500	4,435	(8,065)	35,788	42,345	6,557
EXPENDITURES:						
Current - Economic Development:						
Contractual services	12,500	525	11,975	35,626	40,006	(4,380)
Professional services	-	-	-	-	2,325	(2,325)
Bank fees	-	100	(100)	-	75	(75)
Grants	-	-	-	-	-	-
Total Expenditures	12,500	625	11,875	35,626	42,406	(6,780)
EXCESS OF REVENUES OVER EXPENDITURES	-	3,810	3,810	162	(61)	(223)
FUND BALANCE - Beginning	138,242	138,242	-	1,104,306	1,104,306	-
FUND BALANCE - Ending	\$ 138,242	\$ 142,052	\$ 3,810	\$ 1,104,468	\$ 1,104,245	\$ (223)

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

SMALL CITIES REVOLVING LOAN FUND			TOTAL		
ORIGINAL BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)	ORIGINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ -	\$ -	\$ -	\$ 12,500	\$ -	\$ (12,500)
2,359	2,359	-	38,147	46,441	8,294
-	820	820	-	3,018	3,018
-	-	-	-	500	500
2,359	3,179	820	50,647	49,959	(688)
2,197	2,359	(162)	50,323	42,890	7,433
-	650	(650)	-	2,975	(2,975)
-	75	(75)	-	250	(250)
-	-	-	-	-	-
2,197	3,084	(887)	50,323	46,115	4,208
162	95	(67)	324	3,844	3,520
144,992	144,992	-	1,387,540	1,387,540	-
\$ 145,154	\$ 145,087	\$ (67)	\$ 1,387,864	\$ 1,391,384	\$ 3,520

SINGLE AUDIT SECTION

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
THE YEAR ENDED DECEMBER 31, 2007

<u>FEDERAL GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>GRANT/ AGREEMENT NUMBER</u>	<u>AMOUNT OF FEDERAL AWARD</u>	<u>CURRENT YEAR EXPEND- ITURES</u>	<u>CURRENT YEAR RECEIPTS</u>
Economic Development Administration:					
Economic Adjustment Assistance (1)	11.307	06-19-02068	\$ 500,000	\$ 837,320	See (2)
Department of Housing and Urban Development:					
Passed through the City of Jackson, Michigan - Community Development Block Grant (1)	14.218		166,666	354,417	See (2)
Passed through the Michigan Department of Commerce - Community Development Block Grant - Small Cities Program	14.228		87,500	148,171	See (2)
Total Department of Housing and Urban Development			254,166	502,588	See (2)
Totals			\$ 754,166	\$ 1,339,908	See (2)

This schedule was prepared on the modified accrual basis of accounting, consistent with the audited financial statements.

(1) Denotes a major program.

(2) Federal expenditures determined in accordance with the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations* March 2007 Compliance Supplement.

This supplement requires that the amount of federal expenditures be calculated by adding the balance of Revolving Loan Fund (RLF) loans outstanding at the end of the fiscal year, plus the cash and investment balance in the RLF at the end of the fiscal year, plus grants and administrative expenses paid out of the RLF during the fiscal year.

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ESTATE PLANNING COUNCIL OF
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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*

To the Board of Directors
The Economic Development Corporation of the County of Jackson
Jackson, Michigan

We have audited the financial statements of the governmental activities and each major fund of **The Economic Development Corporation of the County of Jackson** (the EDC), as of and for the year ended December 31, 2007, which collectively comprise the EDC's basic financial statements and have issued our report thereon dated May 23, 2008. 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 the EDC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the EDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the EDC's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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*
The Economic Development Corporation of the County of Jackson
Page Two

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the EDC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the EDC's financial statements that is more than inconsequential will not be prevented or detected by the EDC's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs – Section II – Financial Statement Findings (item 2007-1) to be a significant deficiency in internal control over financial reporting.

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 EDC's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

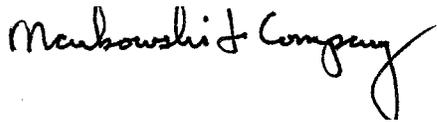
As part of obtaining reasonable assurance about whether the EDC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs – Section III - Federal Award Findings and Questioned Costs as item 2007-2.

We noted certain matters that we reported to management of the EDC in a separate letter dated May 23, 2008.

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*
The Economic Development Corporation of the County of Jackson
Page Three

The EDC's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the EDC's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management 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.



MARKOWSKI & COMPANY CPAs
May 23, 2008

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SOUTH CENTRAL MICHIGAN

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
The Economic Development Corporation of the County of Jackson
Jackson, Michigan

Compliance

We have audited the compliance of the **Economic Development Corporation of the County of Jackson** (the EDC) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The EDC's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs – Section I - Summary of Auditor's Results. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the EDC's management. Our responsibility is to express an opinion on the EDC's compliance based on our audit.

We conducted our audit of compliance 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the EDC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the EDC's compliance with those requirements.

Report on Compliance With Requirements Applicable to Each
Major Program and on Internal Control Over Compliance
In Accordance with OMB Circular A-133
The Economic Development Corporation of the County of Jackson
Page Two

As described in item 2007-3 in the accompanying Schedule of Findings and Questioned Costs – Section III – Federal Award Findings and Questioned Costs, the EDC did not comply with a requirement regarding financial reporting that is applicable to its Economic Adjustment Assistance program. Compliance with this requirement is necessary, in our opinion, for the EDC to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the EDC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the EDC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the EDC's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the EDC's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the EDC's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

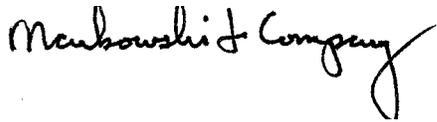
A control deficiency in the EDC's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the EDC's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the EDC's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs – Section III – Federal Award Findings and Questioned Costs (item 2007-2) to be a significant deficiency.

Report on Compliance With Requirements Applicable to Each
Major Program and on Internal Control Over Compliance
In Accordance with OMB Circular A-133
The Economic Development Corporation of the County of Jackson
Page Three

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the EDC's internal control. We do not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness.

The EDC's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the EDC's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the Board of Directors, management 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.



MARKOWSKI & COMPANY CPAs
May 23, 2008

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

SECTION I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material Weakness (es) identified Yes No

Reportable condition(s) identified that are not
considered to be material weaknesses: Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material Weakness (es) identified Yes No

Reportable condition(s) identified that are not
considered to be material weaknesses: Yes None reported

Type of auditor's report issued on compliance for
major programs: Qualified

Any audit findings disclosed that are required to be
reported in accordance with Section 510(a) of Circular
A-133? Yes No

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

SECTION I - Summary of Auditor's Results (Continued)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
11.307	Economic Adjustment Assistance
14.228	Community Development Block Grant

Dollar threshold used to distinguish
between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Section II - Financial Statement Findings

Item 2007-1

Condition: Preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires internal controls over both (1) recording, processing, and summarizing accounting transactions (i.e. maintaining internal books and records) and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case in many small entities, the EDC has historically relied on its independent external auditors to assist in the preparation of its government-wide and fund financial statements and footnotes as part of its external financial reporting process. Accordingly, the EDC's ability to prepare financial statements in accordance with GAAP is based in part on its reliance on its *external* auditors, who cannot by definition be considered a part of the EDC's *internal* controls.

Recommendation: Options to be considered by the EDC would be obtaining additional training for its staff to familiarize them with the requirements of preparing external financial reports, or retaining the services of a CPA independent of the current audit process to prepare/review the financial statements prior to their issuance.

Management's Response: Management believes that the current practice of the external auditor assisting in external financial reporting is the most cost effective means of preparing the required external financial reports.

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Section III – Federal Award Findings and Questioned Costs

Item 2007-3

Program: CFDA No. 11.307 – Economic Adjustment Assistance

Condition: The Economic Development Corporation of the County of Jackson did not file the required financial report ED-2091 *RLF Income and Expense Statement*. This report is required when the recipient uses more than 50% or \$100,000 of RLF income for administrative expenses.

Criteria: Special Reporting requirements

Cause: The EDC staff felt that filing its required ED-209S *Semi-annual Report for EDA-funded RLF Grants* and providing detail of its management contract with the Enterprise Group, the special reporting requirement was fulfilled.

Recommendation: The EDC should prepare and file its ED-2091 for the twelve months ended December 31, 2007. This report should be prepared in the future when the filing requirements are met.

Management's Response: Upon receipt of the 2007 audit report containing this finding, management prepared and filed the required report. The report will be prepared and filed in a timely manner in the future, as required.

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**

FOLLOW UP ON PRIOR YEAR FINDINGS AND QUESTIONED COSTS

In the EDC's December 31, 2006 audit report, there were three audit findings reported:

Financial Statement Findings

Item 2006-1

Condition: The Economic Development Corporation of the County of Jackson (EDC) did not properly account for principal and interest repayments in the general ledger of its revolving loan funds. This information was maintained separate of the general ledger, and these separate records were used when preparing financial reports.

Recommendation: As requirements for greater accountability for governmental entities continue to increase, the maintenance of an accurate general ledger is more important than ever. We recommend that staff improve communication of financial activity, to allow for timely and accurate recording of all financial transactions in the official general ledger.

Management's Response: The financial reporting process was greatly improved during 2007. Records were in much better shape, and this matter can be considered closed during 2007.

Item 2006-2

Condition: Cash disbursements testing revealed one instance (of twenty-five checks issued during 2006) in which a check was sent to a vendor without two signatures as required by EDC policies.

Recommendation: Future checks ordered for EDC accounts should have "Two Signatures Required" imprinted on their face. In the case of the check with only one signature, proper documentation was attached to verify that it was for an allowable expenditure (deposit tickets for a new loan; the check was for \$34.50).

Management's Response: The EDC has not yet needed to order new checks, but all disbursements issued during 2007 were properly signed by two officers.

**THE ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**

**FOLLOW UP ON PRIOR YEAR FINDINGS AND QUESTIONED COSTS
(CONTINUED)**

Federal Award Findings and Questioned Costs

Item 2006-3

Program: CFDA No. 11.307 – Economic Adjustment Assistance

Condition: The Economic Development Corporation of the County of Jackson did not file the required financial report ED-2091 *RLF Income and Expense Statement*. This report is required when the recipient uses more than 50% or \$100,000 of RLF income for administrative expenses.

Criteria: Special Reporting requirements

Cause: The EDC staff felt that filing its required ED-209S *Semi-annual Report for EDA-funded RLF Grants* and providing detail of its management contract with the Enterprise Group, the special reporting requirement was fulfilled.

Recommendation: The EDC should prepare and file its ED-2091 for the twelve months ended December 31, 2006. This report should be prepared in the future when the filing requirements are met.

Management's Response: Upon receipt of the 2006 audit report containing this finding, management prepared and filed the required report. This finding was repeated in 2007.

ADDITIONAL INFORMATION

HISTORY OF BOND ISSUES

THE ECONOMIC DEVELOPMENT CORPORATION OF THE COUNTY OF JACKSON

HISTORY OF BOND ISSUES

COMPANY	AMOUNT OF BOND ISSUE	AVERAGE INTEREST RATE	NUMBER OF YEARS	DATE OF CLOSING	JOBS RETAINED	ESTIMATED NEW JOBS	BOND PURCHASER
MANUFACTURING PROJECTS:							
Pittsburgh Forgings Co.	\$ 800,000	6.20%	15	July 27, 1977	-	-	Manufacturers National Bank of Detroit
Central Michigan Container Corp.	\$ 1,050,000	7.25-8.25%	15	August 31, 1979	-	-	Citizens Bank
Crankshaft Machine Co.	\$ 800,000	7.875%	10	September 1, 1979	-	-	National Bank of Jackson
Industrial Steel Treating Co.	\$ 1,600,000	7.00-8.25%	10	January 23, 1980	-	-	Citizens Bank
Kellogg Crankshaft Co.	\$ 650,000	7.00-9.50%	10	March 17, 1980	-	-	Citizens Bank
Plastigage Corporation	\$ 700,000	8.00-8.25%	10	March 27, 1980	-	-	National Bank of Jackson
Jackson Crankshaft Co.	\$ 1,000,000	7.50%	20	July 5, 1980	-	-	Old Stone Bank - R. I.
Blu-Surf, Inc.	\$ 5,250,000	62% of prime	10	March 1, 1981	47	12-24	Citizens Bank
Production Engineering, Inc.	\$ 325,000	65% of prime	15	December 16, 1981	45	2-4	Citizens Bank
Dowley Manufacturing, Inc.	\$ 550,000	61% of prime	10	December 22, 1981	80	Depends on economy	Citizens Bank
Perfection Biscuit Co.	\$ 3,000,000	10.125% - 12.125%	10	December 23, 1981	200	15	Summers Company, The Ohio Company
Airmaster Fan Company	\$ 675,000	72% of prime	10	April 27, 1982	66	20	National Bank of Jackson
Adco Products, Inc.	\$ 900,000	67% of prime	9	December 23, 1982	75	10	Citizens Bank
Elm Bridge Co. (Jackson Steel Service)	\$ 600,000	68% of prime	12	July 16, 1984	79	10	Citizens Bank
Sealed Power	\$ 4,500,000	Tied to Kinny Index	35	October 25, 1984	225	-	Pittsburgh National Bank
Adco Products, Inc.	\$ 2,000,000	68% of prime prime	9	December 12, 1984	102	30-40	Citizens Bank
Camshaft Machine Co.	\$ 1,500,000	65% of prime prime	15	December 19, 1984	220	35	Citizens Bank
Industrial Steel Treating	\$ 1,000,000	70% of prime	10	December 20, 1984	100	10-15	Citizens Bank
Scott Machine	\$ 400,000	70% of prime	9	May 14, 1985	18	2-4	Citizens Bank
Haynes Corporation	\$ 570,000	72% of prime for two years then 70% of prime	15	July 11, 1985	23	6-10	Comerica Bank - Jackson
Baum Agri-Energy, Inc.	\$ 6,800,000	10.00-13.00%	30	November 27, 1985	-	14	Buchanan & Co., Jackson Miss. (Underwriter)
Condex Heat Transfer Corp.	\$ 250,000	78% of prime	12.5	December 17, 1985	-	28	Citizens Bank
Elm Plating Company	\$ 592,000	73% of prime	10	December 26, 1985	45	11	Michigan Bank - Midwest
Pioneer Sugar	\$ 1,500,000	68% of 90 day CD's	18	November 20, 1985	-	14	Chase Manhattan
Monarch Press	\$ 900,000	75% of prime	10.5	December 20, 1985	61	10	Michigan Bank-W. Metro

THE ECONOMIC DEVELOPMENT CORPORATION OF THE COUNTY OF JACKSON

HISTORY OF BOND ISSUES

COMPANY	AMOUNT OF BOND ISSUE	AVERAGE INTEREST RATE	NUMBER OF YEARS	DATE OF CLOSING	JOBS RETAINED	ESTIMATED NEW JOBS	BOND PURCHASER
MANUFACTURING PROJECTS: (Continued)							
Michner Plating Co.	\$ 1,500,000	7.97%	15	December 30, 1985	64	15-20	Comerica Bank - Jackson
Mid-American Products	\$ 825,000	73% of prime	15	December 30, 1985	46	5-7	Michigan Bank - Midwest
Di-Tec Mold Corporation	\$ 820,000	75% of prime (max .9%) to 6/30/87; 85% of prime (max. 10.125%) to 11/30/88; 95% of prime (max 12%) to maturity	15	December 17, 1986	53	15	Michigan Bank - Midwest
Elm Plating Co.	\$ 1,100,000	100% Prime	5	May 27, 1988	45	11	Michigan Bank - Midwest
RHL Investment Co. (Airmaster Fan Co.)	\$ 2,400,000	7 day floaters, 65-76% of prime	15	June 14, 1989	130	42	Comerica Bank
Elm Plating Co.	\$ 2,400,000 (Incl. refin. of \$1.4 mm)	7 day floaters, 70-80% of prime	15	June 21, 1989	70	10	National Bank of Detroit
Melling Tool Co.	\$ 4,000,000	7 day floaters, 80-90% of prime	10	October 19, 1989	283	20	National Bank of Detroit
Schrader Machine & Tool Co.	\$ 1,000,000	8.00-9.00%	10	December 28, 1989	77	10-12	Bank of Columbus
Tempered Spring, Inc.	\$ 3,300,000	7.375%	12, beg. 1993	December 29, 1989	New	19 (49 in 2nd stage)	National Bank of Detroit
MRS Realty (Building trades for construction of Tempered Springs building)	\$ 700,000	8.00%	15	September 27, 1990	-	19	Individuals, by private placement
Industrial Steel Treating Company	\$ 5,000,000	Variable		June 1, 1997	95	8	Comerica Securities
Melling Tool Company	\$ 3,000,000	Variable	12	November 1, 1998	-	8	Institutional Buyers
Kellogg Crankshaft	\$ 6,000,000	Variable	10	August 1, 2000	200	-	Comerica Securities
American Tooling Centers, Inc.	\$ 3,800,000	Variable	10	June 26, 2001	95	15-20	Bank One Trust Co.
Melling Tool Company	\$ 5,000,000	Variable	15	August 14, 2003	-	15	Comerica Bank
Production Saw & Machine	\$ 6,500,000	Variable	14	June 7, 2006	12	-	Comerica Bank

THE ECONOMIC DEVELOPMENT CORPORATION OF THE COUNTY OF JACKSON

HISTORY OF BOND ISSUES

COMPANY	AMOUNT OF BOND ISSUE	AVERAGE INTEREST RATE	NUMBER OF YEARS	DATE OF CLOSING	JOBS RETAINED	ESTIMATED NEW JOBS	BOND PURCHASER
COMMERCIAL/OTHER PROJECTS:							
Jacobson Stores, Inc.	\$ 1,200,000	6.00%	15	March 29, 1978	-	-	Manufacturers National Bank of Detroit
Willis & Willis, P.C.	\$ 400,000	7.25-7.75%	15	January 11, 1979	-	-	National Bank of Jackson
Holiday Inns, Inc.	\$ 1,500,000	7.25-7.75%	15	September 4, 1979	-	-	National Bank of Jackson & Citizens Bank
Dr. Dierkes	\$ 450,000	8.375%	12	December 27, 1979	-	-	National Bank of Jackson
Faith Haven Care Center	\$ 900,000	7.00-9.50%	15	February 21, 1980	-	-	Sandstone City Bank
W.M.E. Realty	\$ 500,000	8.125%	10	June 3, 1980	-	-	National Bank of Jackson
Art Moehn Chevrolet Co.	\$ 600,000	62% of prime	13	October 31, 1980	-	-	Citizens Bank
Carter Lumber Company	\$ 500,000	63% of prime	11.5	December 30, 1980	-	15-25	First Union National Bank of N. Carolina
Bill Knapp's	\$ 550,000	68% of prime	12	January 15, 1981	-	-	Citizens Bank
C.C. & S. Systems, Inc.	\$ 575,000	67% of prime	15	March 1, 1981	26	20-30 system wide	National Bank of Jackson
Action Development Co. (Action Sports)	\$ 180,000	65% of prime	12	March 3, 1981	-	-	Citizens Bank
Stanton & Associates (Wendy's)	\$ 390,000	62% of prime	12	April 1, 1981	-	40-50	Citizens Bank
Summit Woods Professional Park	\$ 600,000	65% of prime	12	July 1, 1981	17	-	National Bank of Jackson
American Development Co.	\$ 225,000	12.00%	4.5	February 12, 1982	-	20-30	Michigan Bank - Midwest
Wallace Brothers	\$ 410,000	72% of prime	13	July 30, 1982	9 full-time 8 part-time	Unknown	Citizens Bank
Cardik Associates	\$ 410,000	67% of prime	10	August 10, 1982	11	3	National Bank of Jackson
Robert V. Lefere Investment Co.	\$ 650,000	70% of prime	12	October 19, 1982	50	Depends on economy	National Bank of Jackson
Robert V. Lefere Investment Co.	\$ 350,000	74% of prime	2	October 19, 1982	50	Depends on economy	National Bank of Jackson
Dr. Sigmund Ancerewicz, P.C.	\$ 380,000	70% of prime	15	December 23, 1982	6	10	Citizens Bank
DeKalb Equipment Leasing (Walmar Farms)	\$ 120,000	92.4% fixed, 70% of prime	4	April 4, 1984	3	N/A	Mellon Bank, N.A.
Monarch Sales & Development Co. (Monarch Press)	\$ 280,000	75% of prime	12	September 20, 1984	45	10	Citizens Bank
SRP - Wildwood Investments (Great Lakes Ind.)	\$ 760,000	70% of prime	12	October 25, 1984	-	40	Citizens Bank

THE ECONOMIC DEVELOPMENT CORPORATION OF THE COUNTY OF JACKSON

HISTORY OF BOND ISSUES

COMPANY	AMOUNT OF BOND ISSUE	AVERAGE INTEREST RATE	NUMBER OF YEARS	DATE OF CLOSING	JOBS RETAINED	ESTIMATED NEW JOBS	BOND PURCHASER
COMMERCIAL/OTHER PROJECTS: (Continued)							
B & G Realty (Marcus Corp.)	\$ 1,540,000	60% of prime, 70% of prime	5	December 12, 1984	-	30	Banker's Trust Co.
TRAC Limited	\$ 2,500,000	10.25%	15	December 18, 1984	50	7-10 immed., 35 in 5 yrs.	Merrill, Lynch, Pierce, Fenner, and Smith
Thrifty - Leoni (Meijers)	\$ 8,000,000	Variable - tie to short term tax exempt notes	30	December 20, 1984	-	75 full-time 250 part time	Bankers Trust Co.
Bomar Investments (Commet Welcome Pharmacies)	\$ 325,000	75% of prime	15	December 26, 1984	7	2 full-time 4-6 part-time	Citizens Bank
Countryside Care Center	\$ 1,000,000	72% of prime	15	July 18, 1985	72	6	Citizens Bank
McGloting/Surnow (former Robert Hall Village)	\$ 4,400,000	Tied to Kinny Index	30	August 7, 1985	39 full-time 66 part-time	50 full-time 21 part-time	Meuse, Rinker, Chapman, Endres & Brooks, Inc. Columbus, OH (underwriter)
Countryside Care Center	\$ 1,225,000	75% of prime	15	December 30, 1985	78	8	Citizens Bank
Baker College of Jackson	\$ 2,000,000	70%	5	April 27, 1995	55	10	Citizens Commercial and Savings Bank
Optimist Charitable Fund, Inc.	\$ 1,500,000	6.90%		October 19, 1995			Citizens Bank Comerica Bank Republic Bank Security Savings Bank
Vista Grande Villa	\$ 4,900,000	Variable		June 1, 1997	140	100 (during construction)	Piper Jaffray Inc.
Baker College	\$ 2,000,000	4.55%	5	May 4, 2000	244	30	Citizens Bank
Spring Arbor College	\$ 8,000,000	Variable	20	December 21, 2000	95	10-20	Comerica Securities
Vista Grande Villa	\$ 19,215,000	Variable	30	June 26, 2001	165	40	B.C Ziegler & Co.
Baker College	\$ 1,500,000	3.25%	5	March 24, 2004	76	30	Citizens Bank

MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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RANDALL D. BIDDIX, C.P.A.
RETIRED PARTNER:
K. LAVERNE MARKOWSKI, C.P.A. (1961-2006)

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

ESTATE PLANNING COUNCIL OF
SOUTH CENTRAL MICHIGAN

To the Board of Directors
Economic Development Corporation of Jackson County

COMMUNICATION OF AUDITOR/CLIENT RESPONSIBILITIES

We have audited the financial statements of the **Economic Development Corporation of Jackson County** for the year ended December 31, 2007, and have issued our report thereon dated May 23, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated March 31, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Economic Development Corporation of Jackson County. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Economic Development Corporation of Jackson County are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year.

Significant Accounting Policies (Continued)

We noted no transactions entered into by the Economic Development Corporation of Jackson County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was: Management's estimate of the collectibility of notes receivable. We evaluated the key factors and assumptions used to develop this estimate and determined that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Economic Development Corporation of Jackson County's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Economic Development Corporation of Jackson County, either individually or in the aggregate, have a significant effect on the Economic Development Corporation of Jackson County's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Economic Development Corporation of Jackson County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit. We were very pleased with the cooperation of the administrative staff, especially Debbie Kelly and Connie King. They were extremely cooperative and open to our suggestions.

Conclusions Based on our Audit

As reported in the Annual Financial Report, there were two findings as a result of our audit. One of these – Finding 2007-1, is considered a material weakness in internal control. This finding results from the EDC's reliance on its independent auditor to prepare the final financial statements and notes. Under the new auditing standards, this should be performed internally by EDC staff. We agree with the EDC's conclusion that the steps necessary to eliminate this finding (either provide additional training for staff or retaining another independent CPA to review the annual financial report) are not cost effective, and no changes are necessary.

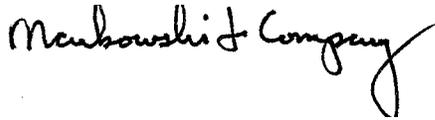
Conclusions Based on our Audit (Continued)

The other finding, 2007-2, related to the preparation of an additional report to the EDA because more than 50% of income is used for administrative purposes. This is a repeat finding from 2006. In 2006, a new reporting requirement was established. The report was not prepared and submitted in a timely manner in either year. This has been added to a "tickler" file of things to do at year end for the EDC. This should correct the finding in the future.

We have attached a memorandum of comments and recommendations for the Board's consideration.

This information is intended solely for the use of the Board and management of Economic Development Corporation of Jackson County and should not be used for any other purpose

Sincerely,

A handwritten signature in cursive script that reads "Markowski & Company".

MARKOWSKI & COMPANY CPAs

May 23, 2008

**ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**

COMMENTS AND RECOMMENDATIONS

2007 Comments:

The significant deficiencies in controls and processes have been discussed in the body of the Auditor/Client Responsibility letter. The only other item of note is an annual reminder regarding internal control weaknesses inherent in all small organizations:

Segregation of Duties: The lack of proper segregation of duties is inherent in any small organization. The EDC has addressed this through several means: Cash receipts controls include: Monthly loan payments (receipts) are mailed directly to the bank in most instances; the only money received and processed by the EDC staff was for loan fees and closing cost reimbursements. These payments are received by a staff member not involved in the accounting process, which provides some independent oversight. Cash Disbursement procedures include a requirement that all checks be signed by two board members. This helps minimize the risk of unauthorized disbursements.

While the EDC staff has done a good job of establishing sound internal controls, it is still necessary for the Board to maintain an active role in oversight of the financial operations of the organization.

Follow-up on 2006 Findings:

During our 2006 audit, certain items came to our attention for which the EDC needs to consider changes in procedures or policies. To summarize:

2006-1 Principal and Interest Postings to the General Ledger:

The EDC did not properly account for principal and interest repayments in the general ledger of its revolving loan funds. This information was maintained separate of the general ledger, and these separate records were used when preparing financial reports.

Follow-up:

The accounting process was greatly improved during 2007. This matter has been properly addressed, and is no longer a concern.

**ECONOMIC DEVELOPMENT CORPORATION
OF THE COUNTY OF JACKSON**

COMMENTS AND RECOMMENDATIONS (Continued)

Follow-up on 2006 Findings (Continued)

2006-2 Cash Disbursement Policy Violation

During 2006, one (of twenty-five total) check was issued to a vendor with the signature of only one officer. We recommend that future checks be ordered with "Two Signatures Required" imprinted on their face.

Follow-up:

All checks written during 2007 had the signatures of two board members as required by policy. The City controlled RLF bank account requires only the signature of the City Treasurer, but all disbursements from this account during 2007 were appropriate and properly documented.

2006-3 Special Reporting Requirements:

During 2006, the Office of Management and Budget revised the financial reporting for revolving loan funds. As part of this revision, the EDC should have filed a Form ED-2091 *RLF Income and Expense Statement* for its twelve month fiscal year ended December 31, 2006. Staff did not prepare this report, believing that the reporting requirements were met by preparing the required semi-annual reporting to the Economic Development Administration.

Follow-up:

We have discussed this with staff, and the 2007 report was prepared and filed, but not in a timely manner. In the future, this report will be prepared when required (it is required if more than 50% of RLF income or more than \$100,000 is used for administrative expenses).