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February 12, 2012

To the Board of Directors
Danville-Boyle County Economic Development Partnership, Inc.

I have audited the financial statements of the Danville-Boyle County Economic Development Partnership, Inc. for the year ended June 30, 2011, and have issued my report thereon dated February 12, 2012. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my previous engagement letter. Professional standards also require that I communicate to you the following information related to my audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note II to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2011. I noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

I have requested certain representations from management that are included in the management representation letter dated February 12, 2012.

Management 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

Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

This information is intended solely for the use of the Board of Directors and management of the Danville-Boyle County Economic Development Partnership, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Craig A. Butler, CPA

Craig A. Butler
Certified Public Accountant

**DANVILLE-BOYLE COUNTY ECONOMIC
DEVELOPMENT PARTNERSHIP, INC.**

INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2011

Craig A. Butler

Certified Public Accountant

Danville, Kentucky

**Danville-Boyle County Economic Development Partnership, Inc.
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Independent Auditor's Report

To the Board of Directors
Danville-Boyle County Economic
Development Partnership, Inc.
Danville, Kentucky

I have audited the accompanying statement of assets, liabilities, and net assets – modified cash basis of the Danville-Boyle County Economic Development Partnership, Inc. (a nonprofit organization) as of June 30, 2011, and the related statements of revenues, expenses, and other changes in net assets – modified cash basis, and functional expenses – modified cash basis for the year then ended. These financial statements are the responsibility of the Partnership's management. My responsibility is to express my opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe my audit provide a reasonable basis for my opinion.

As described in Note II, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Danville-Boyle County Economic Development Partnership, Inc. as of June 30, 2011, and its support, revenue, and expenses for the year then ended, on the basis of accounting described in Note II.

Craig A. Butler, CPA

Craig A. Butler
Certified Public Accountant

Danville, Kentucky
February 12, 2012

Danville-Boyle County Economic Development Partnership, Inc.
Statement of Assets, Liabilities, and Net Assets - Modified Cash Basis
June 30, 2011

Assets

Cash	\$ <u>58,198</u>
Total Assets	\$ <u><u>58,198</u></u>

Liabilities & Net Assets

Liabilities:

Payroll Related Liabilities	\$ <u>2,892</u>
Total Liabilities	<u>2,892</u>
Total Liabilities	<u>2,892</u>

Net Assets:

Unrestricted Net Assets	<u>55,306</u>
Total Net Assets	<u>55,306</u>
Total Liabilities & Net Assets	\$ <u><u>58,198</u></u>

See accompanying notes to financial statements.

Danville-Boyle County Economic Development Partnership, Inc.
Statement of Revenues, Expenses, and Other Changes in Net Assets -
Modified Cash Basis
Year Ended June 30, 2011

Revenues:

Local Government Funding	\$	230,000
Boyle County Industrial Foundation		75,282
Community Investment Contributions		56,250
Sister Cities Income		5,475
Interest Income		80
Other Income		<u>1,836</u>
Total Revenues		<u>368,923</u>

Expenses:

Program Expenses		312,790
General & Administrative Expenses		<u>44,729</u>
Total Expenses		<u>357,519</u>

Change in Unrestricted Net Assets		11,404
Unrestricted Net Assets, Beginning of Period		<u>43,902</u>
Unrestricted Net Assets, End of Period	\$	<u><u>55,306</u></u>

See accompanying notes to financial statements.

Danville-Boyle County Economic Development Partnership, Inc.
Statement of Functional Expenses - Modified Cash Basis
Year Ended June 30, 2011

	Program Services	General and Administrative	Total Expenses
Wages	\$ 103,322	\$ 18,658	\$ 121,980
Payroll Taxes	7,904	1,423	9,327
Employee Benefits	13,755	4,967	18,722
Total salaries and related expenses	124,981	25,048	150,029
Heart of Danville Funding	110,325	-	110,325
Perryville Main Street Funding	22,500	-	22,500
Convention & Visitors Bureau Funding	10,000	-	10,000
Chamber of Commerce Funding	21,780	-	21,780
Sister Cities Funding	1,298	-	1,298
Rent	-	4,200	4,200
Equipment Lease	-	2,992	2,992
Telephone & Internet	-	3,525	3,525
Marketing & Promotion	21,118	-	21,118
Travel & Related	788	-	788
Professional Development	-	1,535	1,535
Dues & Subscriptions	-	1,463	1,463
Insurance	-	651	651
Legal & Professional	-	2,748	2,748
Office Supplies	-	2,299	2,299
Miscellaneous	-	268	268
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 312,790</u>	<u>\$ 44,729</u>	<u>\$ 357,519</u>

See accompanying notes to financial statements.

Danville-Boyle County Economic Development Partnership, Inc.
Notes to the Financial Statements
June 30, 2011

Note I - General

The Danville-Boyle County Economic Development Partnership, Inc. is a Kentucky not-for-profit corporation whose purpose is to coordinate and work with partner organizations to establish short and long-range plans for economic development, and to serve as a catalyst for plan development and implementation.

The primary revenue sources of the entity consist of funding received from the City of Danville, Boyle County Fiscal Court, and the Boyle County Industrial Foundation.

Note II - Summary of Significant Accounting Policies

(A) Basis of Accounting

The financial statements of the Danville-Boyle County Economic Development Partnership, Inc. have been prepared on the modified cash basis of accounting. Under the modified cash basis, revenues are recorded when received rather than when earned or promised, and certain expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred.

(B) Cash and Cash Equivalents

The Partnership considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

(C) Prepaid Expenses

Amounts paid for periods beyond the fiscal year have been recorded as prepaid expenses in the financial statements. There were no prepaid items as of June 30, 2011.

(D) Investments

The Partnership does not own any investments as of the end of the fiscal year.

(E) Contributed Services

During the year ended June 30, 2011, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Danville-Boyle County Economic Development Partnership, Inc.
Notes to the Financial Statements
June 30, 2011

(F) Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code.

(G) Functional Allocation of Expenses

The costs of providing the program services and the costs of general and administrative activities have been summarized on a functional basis in the statement of activities. Expenses are generally charged directly to program or general and administrative categories based on specific identification, although, in some circumstances, certain indirect expenses have been allocated based on level of effort.

Note III - Concentration of Credit Risk for Cash Held in Bank

At June 30, 2011, the Partnership's cash in bank was covered 100% by FDIC insurance.

Note IV - Operating Lease Commitments

The Partnership leases its office space from the McClure-Barbee House on a month-to-month basis at a cost of \$350 per month.

The Partnership currently pays an annual service fee for maintenance of its copier in the amount of \$750. Additionally, the Partnership leases its computers at a cost of \$204 per month.

Note V - Concentrations of Risk

For the year ended June 30, 2011, the entity received 62% of its revenues from two government agencies.

Note VI – Memorandum of Agreement with Community Partners

Effective July 1, 2009, the Danville-Boyle County Economic Development Partnership, Inc. (EDP) entered into a memorandum of agreement (MOA) with certain of its community partners which outlines mutual understandings, responsibilities, and agreements amongst the parties involved. The purpose of the MOA is to 1) empower the EDP to efficiently and effectively communicate, collaborate, and coordinate the interrelated and interdependent community and economic development missions, resources, and initiatives of the Partners to grow the economy of Boyle County; 2) ensure that the EDP Partners work in concert through the EDP to provide Boyle County, its communities, and its citizens with an exemplary array of community and economic

Danville-Boyle County Economic Development Partnership, Inc.
Notes to the Financial Statements
June 30, 2011

development services in a coordinated and cost-effective manner; and 3) effect the mandate of certain Articles of the EDP's bylaws.

The Partners to the MOA are as follows:

Boyle County Industrial Foundation
Danville-Boyle County Chamber of Commerce
Danville-Boyle County Convention & Visitors Bureau
Heart of Danville Main Street Program
Perryville Revitalization Main Street Program
Boyle County Fiscal Court
City of Danville
City of Junction City
City of Perryville

This memorandum of agreement expires effective June 30, 2012.