

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2000

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

Board of Directors
Lawrence Economic Development Corporation

We have reviewed the Independent Auditor's Report of the Lawrence Economic Development Corporation, Lawrence County, prepared by R.D. Conley & Company for the audit period January 1, 2000 through December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Lawrence Economic Development Corporation is responsible for compliance with these laws and regulations.

A handwritten signature in black ink, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

June 5, 2002

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TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES.....	4
STATEMENT OF CASH FLOWS	5
STATEMENT OF FUNCTIONAL EXPENSES.....	6-7
NOTES TO FINANCIAL STATEMENTS	8-12
SUPPLEMENTAL INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	13
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	14
COMPLIANCE AND INTERNAL CONTROL	
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	15-16
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE WITH OMB CIRCULAR A-133	17-18
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	19-20
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	21
CORRECTIVE ACTION PLAN.....	22-23

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R.D. Conley & Company
Certified Public Accountant

Roger D. Conley, CPA
Principal

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lawrence Economic Development Corporation
South Point, Ohio

I have audited the accompanying statement of financial position of Lawrence Economic Development Corporation (a nonprofit organization) as of December 31, 2000, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

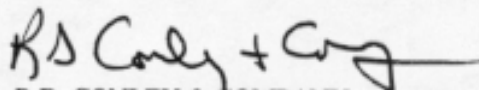
Except as discussed in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 that my audit provides a reasonable basis for my opinion.

The Organization is closely affiliated with the Greater Lawrence County Chamber of Commerce, to which I did not apply any auditing procedures.

In my opinion, except for the effects of adjustments, if any, as might have been determined to be necessary had I performed the needed auditing procedures referred to in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Lawrence Economic Development Corporation as of December 31, 2000, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated April 24, 2002, on my consideration of Lawrence Economic Development Corporation's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 my audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards on page 13 is presented for the purpose of additional analysis as required by "U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations" and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



R.D. CONLEY & COMPANY
Certified Public Accountant

Ashland, Kentucky
April 24, 2002

FINANCIAL STATEMENTS

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2000

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,519,292
Governmental grants receivable	1,636,372
Taxes receivables	<u>12,307</u>

Total current assets	<u>3,167,971</u>
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Other Assets

Loans receivable	2,478
Plant, property and equipment, net of depreciation	<u>9,487,108</u>

Total assets	<u>\$ 12,657,557</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 612,338
Accounts payable-Ashland, Inc.	1,799,000
Current portion - notes payable	<u>1,856,117</u>

Total current liabilities	<u>4,267,455</u>
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Long-Term Liabilities

Assets held in trust	242,215
Deferred revenue	71,856
Notes payable	<u>1,989,889</u>

Total liabilities	<u>6,571,415</u>
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Net Assets

Unrestricted	4,096,400
Temporarily restricted	<u>1,989,742</u>
Total net assets	<u>6,086,142</u>

Total Liabilities and net assets	<u>\$ 12,657,557</u>
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The accompanying notes to financial statements
are an integral part of this statement.

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2000

CHANGES IN UNRESTRICTED NET ASSETS

Revenues and gains:	
Donations	\$ 585,328
Interest income	4,564
Motel tax	153,019
Rental income	1,355,572
Program income	69,363
Miscellaneous	24,777
Total unrestricted revenues	<u>2,192,623</u>
Net assets released from restrictions:	
Satisfactions of program restrictions	551,151
Total unrestricted revenues and other support	<u>2,743,774</u>

EXPENSES

Convention and Visitor's Bureau	60,472
Southeastern Small Business Development Center	165,671
Procurement Outreach Center	140,693
Empowerment Zone Site Development	85,434
Empowerment Zone Jobs Creation	12,728
Job Development	85,103
Child Daycare Program	562
Administrative and general	228,302
Total expenses before depreciation	<u>778,965</u>
Depreciation expense	192,880
Total expenses	<u>971,845</u>
Increase in unrestricted net assets	<u>1,771,929</u>

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted grant monies	2,180,471
Net assets released from restrictions	(551,151)
Increase in temporarily restricted net assets	<u>1,629,320</u>
Increase in net assets	<u>3,401,249</u>

Net assets at beginning of year:

Unrestricted	2,324,471
Temporarily restricted	360,422
	<u>2,684,893</u>

Net assets at end of year:

Unrestricted	4,096,400
Temporarily restricted	1,989,742
	<u>\$ 6,086,142</u>

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

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2000

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 3,401,249
Plus: Depreciation	192,880
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in:	
Grants receivable	(1,201,394)
Taxes receivable	420
Loans receivable	603
Other accounts receivable	26,894
Increase (decrease) in:	
Accounts payable	475,657
Accounts payable-Ashland, Inc.	1,799,000
Deferred revenue	(410,683)
Net cash provided by operating activities	<u>4,284,626</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net change in restricted assets	2,842
Purchase of plant, property and equipment	(4,138,334)
Net cash used in investing activities	<u>(4,135,492)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issuance of long-term debt	1,942,421
Payments on debt	(1,502,438)
Net cash provided by financing activities	<u>439,983</u>

Net increase in cash 589,117

Cash and cash equivalents at December 31, 1999 930,175

Cash and cash equivalents at December 31, 2000 \$ 1,519,292

SUPPLEMENTAL:

Cash paid for interest \$ 63,386

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

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2000

	Convention and Visitor's Bureau	Southeastern Small Business Development Center	Procurement Outreach Center	Empowerment Zone Site Development	Empowerment Zone Jobs Creation
Personnel costs	\$ 33,031	\$ 70,790	\$ 66,065	\$ 36,870	\$ 8,445
Interest expense	-	-	-	-	-
Grant subrecipient expenses	-	58,400	-	-	-
Real estate taxes	-	-	-	-	-
Advertising and marketing	167	316	-	108	-
Supplies	693	1,345	1,356	433	64
Rent and utilities	5,400	7,200	18,000	875	1,458
Telephone expense	1,502	6,670	6,261	1,109	706
Maintenance	666	-	1,045	162	-
Postage	843	299	1,485	96	11
Janitor	700	125	1,700	-	-
Meetings	220	3,167	5,714	124	325
Travel	503	6,125	7,788	777	16
Miscellaneous	213	249	158	6,108	-
Copies and faxes	255	3,232	4,176	250	230
Dues and subscriptions	866	2,445	4,887	40	-
Accounting and auditing services	4,499	3,381	4,167	-	-
Printing	10,627	-	2,791	-	-
Equipment leases	67	990	1,100	736	1,473
Program expenditures	-	930	14,000	37,746	-
Computer services	220	7	-	-	-
Total	\$ 60,472	\$ 165,671	\$ 140,693	\$ 85,434	\$ 12,728
Adjustments for schedule of federal awards	-	57,224	33,579	41,599	12,728
In-kind	-	-	-	-	-
Equipment purchases	-	-	-	-	-
Total expenses for federal awards	\$ 60,472	\$ 222,895	\$ 174,272	\$ 127,033	\$ 25,456

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES (CONCLUDED)

FOR THE YEAR ENDED DECEMBER 31, 2000

	Job Development	Child Daycare	Total Program Expenses	Administrative and General	Total Expenses
	\$	\$	\$	\$	\$
Personnel costs	85,103	518	300,822	36,401	337,223
Interest expense	-	-	-	63,386	63,386
Grant subrecipient expenses	-	-	58,400	1,548	59,948
Real estate taxes	-	-	-	32,970	32,970
Advertising and marketing	-	-	591	36,858	37,449
Supplies	-	-	3,891	1,533	5,424
Rent and utilities	-	-	32,933	10,218	43,151
Telephone expense	-	-	16,248	4,385	20,633
Maintenance	-	-	1,873	-	1,873
Postage	-	-	2,734	1,082	3,816
Janitor	-	-	2,525	206	2,731
Meetings	-	-	9,550	2,693	12,243
Travel	-	-	15,209	1,561	16,770
Miscellaneous	-	44	6,772	13,092	19,864
Copies and faxes	-	-	8,143	3,283	11,426
Dues and subscriptions	-	-	8,238	4,547	12,785
Accounting and auditing services	-	-	12,047	1,300	13,347
Printing	-	-	13,418	-	13,418
Equipment leases	-	-	4,366	5,989	10,355
Program expenditures	-	-	52,676	7,250	59,926
Computer services	-	-	227	-	227
Total	85,103	562	550,663	228,302	778,965
Adjustments for schedule of federal awards	-	-	145,130	-	145,130
In-kind	-	-	-	-	-
Equipment purchases	-	-	-	-	-
Total expenses for federal awards	\$ 85,103	\$ 562	\$ 695,793	\$ 228,302	\$ 924,095

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

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2000

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Lawrence Economic Development Corporation (the Organization) is a non-profit corporation established in August 1983 under the governing laws of the State of Ohio. The Organization was established to promote economic development in the City of Ironton, and the County of Lawrence, Ohio, to act as the designated agent for providing governmental assistance to business enterprises, and to promote the general economic development.

Revenues

Revenues are recognized in the accompanying financial statements as follows:

A. Grants and Reimbursement Contracts

The funds from various funding sources under grants and reimbursement contracts are recognized as revenue in the accounting period in which they are received.

B. Hotel and Motel Taxes

Funds received from the collection of local hotel and motel bed taxes are recognized net of collection fees in the period in which they are earned.

C. Donations

Donations are recognized as unrestricted, restricted or temporarily restricted according to their designation in the period in which they are received.

D. In-Kind Contributions

The Organization receives donated services and in-kind contributions from various sources. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied. The fair value of donated services received but not recognized is as follows:

Southeastern Small Business Development Center	\$ 57,224
Procurement Outreach Center	33,579
Empowerment Zone Site Development	41,599
Empowerment Zone Jobs Creation	<u>12,728</u>
	<u>\$ 145,130</u>

E. Interest Income

Interest income is recognized in the accounting period when earned.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers cash in operating bank accounts and certificates of deposit with an original maturity date of three months or less as cash.

Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The Organization also has elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Property and Equipment

The equipment acquired with grant funds is owned by the Organization while used in the program for which it is purchased or in future authorized programs. The funding sources, however, retain a reversionary interest in the equipment purchased with grant funds; therefore, its disposition, as well as the ownership of any sale proceeds there from, is subject to funding source regulations.

All equipment is capitalized at cost and depreciated over period between three and forty years.

Income Tax

The Organization is exempt from U.S. Federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and, therefore, has no provision for Federal income taxes.

Cost Allocation

Joint costs are allocated to benefiting programs using various allocation methods, depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all

agency programs, which cannot be readily identified with a final cost objective. Cost allocation methods are as follows:

Building

Space costs (maintenance costs, utilities, rent, etc.) are allocated based on the number of square feet of space each program occupies.

Insurance

Insurance is allocated to benefiting programs depending on the equipment, space or people covered by the insurance.

Other Joint Costs

Other joint costs are allocated to agency programs based on the amounts used by each program.

Expenses

Disbursements for goods, services, materials and equipment are recorded as expenditures at the time of acquisition.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are allocated between management and general or the appropriate program based on evaluations of the related benefits.

Estimates

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

Net Assets

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Made", and SFAS No. 117, "Financial Statements for Not-for-Profit Organizations". SFAS No. 117 established standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. SFAS No. 116 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each net asset

category in accordance with donor imposed restrictions. A description of the three net asset categories follows:

Permanently Restricted Net Assets – Gifts of cash and other assets are recorded as permanently restricted support if they are received with donor stipulations that limit the use of the donated assets in perpetuity.

Temporarily Restricted Net Assets – Temporarily restricted net assets represent assets whose use is limited by donor-imposed stipulations that expire either by passage of time or are removed by actions of the Organization. A donor-imposed restriction normally permits the donee organization to expend the donated assets as specified in grant and other contract agreements.

Unrestricted Net Assets – Unrestricted net assets represent amounts that are not restricted by donor-imposed stipulations.

(2) **GOVERNMENTAL GRANTS RECEIVABLE**

Grants receivable were collectible in one year and consisted of the following amounts at December 31, 2000:

<u>Program</u>	<u>Grant No.</u>	<u>Amount</u>
LCDHS-Job Creation Board	N/A	\$ 8,656
Small Business Development Center	ECDD 01-051	49,802
Cost Sharing Cooperative Agreement	N/A	111,177
Empowerment Zone – Site Development	EZ-99-WV-0015	265,626
Empowerment Zone – Jobs Creation	EZ-99-WV-0015	32,896
Small Cities Development Block Grant	B-D-00-040-1	500,000
CDBG Discretionary Grant	N/A	<u>666,668</u>
		<u>\$ 1,634,825</u>

(3) **PROPERTY, PLANT & EQUIPMENT**

Land, property and equipment at December 31, 2000, consisted of the following:

Land	\$ 4,048,019
Buildings & Improvements	5,919,303
Equipment	<u>5,589</u>
	9,972,911
Less: Accumulated Depreciation	<u>(485,803)</u>
Net Plant, Property & Equipment	<u>\$ 9,487,108</u>

(4) **NOTES PAYABLE**

As of December 31, 2000, notes payable consisted of the following:

Note payable to Ohio Department of Development, secured by real estate and building, bearing an interest rate of 3%, due September 2012	\$ 1,803,671
Note payable to Ashland, Inc., secured by real estate, bearing no interest, due December 15, 2002	1,850,000
Note payable to Ohio Department of Development, secured by real estate and building, bearing an interest rate of 6%, due January, 2018	<u>192,335</u>
	3,846,006
Less: Current portion of long-term debt	<u>(1,856,117)</u>
	<u>\$ 1,989,889</u>

The following represents the Organization's principal maturities for the next five years:

<u>Year</u>	
2001	\$ 1,856,117
2002	7,067
2003	135,662
2004	205,115
2005	211,661
Thereafter	<u>1,430,384</u>
	<u>\$ 3,846,006</u>

The Organization entered into a non-cancelable operating lease for an automobile in December, 1998 that expires in December 2001. The lease requires the Organization to pay all sales taxes and license fees during the terms of the lease. Rental expenses consisted of \$5,676 during the year ended December 31, 2000.

Future minimum lease payments under the lease as of December 31, 2000 are:

<u>Year</u>	<u>Amount</u>
2001	<u>\$ 5,676</u>

(5) CONCENTRATIONS

The Organization depends on grants from federal, state and local sources for its continued existence.

(6) SUBSEQUENT EVENT

Subsequent to December 31, 2000 the Organization became involved in litigation with a local business concerning the lease of certain river front property owned by the Organization to the plaintiff's competitor. It is the opinion of management's counsel that the suit is without merit and the Organization has adequate insurance to cover any adverse outcome.

SUPPLEMENTAL INFORMATION

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2000

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>U.S. Small Business Administration:</u>			
Pass-through Program From:			
Ohio State Department of Development Small Business Development Center Program	59.037	ECDD 01-051	\$ 222,895
Subtotal-U.S. Small Business Administration			<u>222,895</u>
<u>U. S. Department of Defense:</u>			
Cost Sharing Cooperative Agreement	12.002	SP48-00-99-2-0051	174,272
Subtotal-U.S. Department of Defense			<u>174,272</u>
<u>U.S. Department of Housing and Urban Development</u>			
Pass-through program from:			
Huntington, West Virginia--Ironton, Ohio Empowerment Zone, Inc. Empowerment Zone-Site Development Program	14.244	EX-99-WV-0015	127,033
Empowerment Zone-Jobs Creation Program	14.244	EX-99-WV-0015	25,456
Subtotal-U.S. Department of Housing and Urban Development			<u>152,489</u>
TOTAL			<u>\$ 549,656</u>

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2000

(1) SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the Organization's activities. The schedule has been prepared on the same basis of accounting as the basic financial statements.

COMPLIANCE AND INTERNAL CONTROL

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R.D. Conley & Company
Certified Public Accountant

Roger D. Conley, CPA
Principal

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS***

To the Board of Directors
Lawrence Economic Development Corporation
South Point, Ohio

I have audited the financial statements of Lawrence Economic Development Corporation (a nonprofit organization) as of and for the year ended December 31, 2000, and have issued my report thereon dated April 24, 2002. I conducted my 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. In my report, my opinion was qualified because the Organization is closely affiliated with the Greater Lawrence County Chamber of Commerce, to which I did not apply any auditing procedures.

Compliance

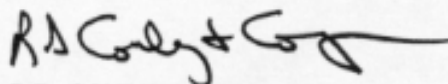
As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the schedule of compliance and internal control findings as item 00-2.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Lawrence Economic Development Corporation's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect Lawrence Economic Development Corporation's ability to record, process, summarize and report data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of compliance and internal control findings as item 00-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition 00-1 described above, is considered to be a material weakness.

This report is intended solely for the information and use of the audit committee, 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.



R.D. CONLEY & COMPANY

Certified Public Accountant

Ashland, Kentucky

April 24, 2002

O CONGHALAIGH

R.D. Conley & Company
Certified Public Accountant

Roger D. Conley, CPA
Principal

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

To the Board of Directors
Lawrence Economic Development Corporation
South Point, Ohio

Compliance

I have audited the compliance of Lawrence Economic Development Corporation 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, 2000. Lawrence Economic Development Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lawrence Economic Development Corporation. My responsibility is to express an opinion on Lawrence Economic Development Corporation compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; 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 I 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 Lawrence Economic Development Corporation's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Lawrence Economic Development Corporation's compliance with those requirements.

In my opinion, Lawrence Economic Development Corporation 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, 2000.

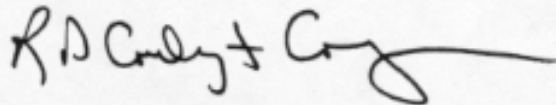
Internal Control Over Compliance

The management of Lawrence Economic Development Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and

grants applicable to federal programs. In planning and performing my audit, I considered Lawrence Economic Development Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, 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.



R.D. CONLEY & COMPANY
Certified Public Accountants

Ashland, Kentucky
April 24, 2002

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2000

A. SUMMARY OF AUDITORS' RESULTS

- 1) I have issued a qualified opinion on the financial statements of Lawrence Economic Development Corporation.
- 2) The audit of the financial statements disclosed an internal control related reportable condition listed as 00-1 in Section B. The reportable condition is considered a material weakness.
- 3) The audit disclosed no instances of noncompliance which were material to the financial statements.
- 4) The audit disclosed one reportable condition in internal control over major programs listed as 00-2 in Section C. The reportable condition is considered to be a material weakness.
- 5) I issued an unqualified opinion on compliance for major programs.
- 6) The audit did not disclose any findings which are required to be reported under paragraph .510(c)
- 7) The major programs selected for compliance testing was the Small Business Development Center Program CFDA #59.037 and the Cost Sharing Cooperative Agreement CFDA #12.002..
- 8) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- 9) The auditee did not qualify as a low risk auditee.

B. FINDINGS RELATED TO THE FINANCIAL STATEMENTS IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS

- 00-1 **Condition:** The Treasurer of Lawrence Economic Development Corporation handles all the duties of cash transactions creating a serious lack of segregation of duties.
- Criteria:** Under a desirable internal control structure, the origination and completion of a single transaction should never be under the control of the same individual.
- Effect:** A limited segregation of duties is achieved.

Effect: A limited segregation of duties is achieved.

Cause: Management oversight.

Recommendation: I recommend use of the bookkeeper and the director to create more segregation of duties.

Response: The auditee has agreed to use the bookkeeper, program directors, and executive director to segregate the duties of cash transactions.

B. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Questioned
Costs

00-2 Small Business Development
Center Program – CFDA No. 59.037

Cost Sharing Cooperative Agreement –
CFDA No. 12.002

Empowerment Zone-Site Development Program –
CFDA No. 14.244

Condition: The Organization's in-kind and matching contributions are not properly recorded in the Organization's general ledger.

Criteria: OMB Circular A-110 Section 23(a), States, "All contributions, including cash and third party in-kind, shall be accepted as part of the recipients cost sharing or matching when such contributions (1) are verifiable from the recipient's records (2) are not included as contributions for any other federally-assisted project or program and (3) are necessary and reasonable for proper and efficient accomplishment of project or program objectives.

Cause: Management oversight.

Effect: Grant matching requirements may be under matched due to a lack of accountability.

Recommendation: I recommend that the Organization record all cash and third party in-kind contributions in its books of accounts on a monthly basis.

Auditee Response: The Organization will develop appropriate accounting procedures to require cash match and third party in-kind contributions to be recorded in the books of accounts on a monthly basis.

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

THE YEAR ENDED DECEMBER 31, 2000

99-1 Segregation of duties

Condition: My review of internal control of the accounting procedures indicates that there is a lack of segregation of duties.

Recommendation: Good internal control would dictate that many of these duties be separated.

Current Status: This finding is unresolved at this time.

Questioned
Costs

99-2 Small Business Development

Center Program – CFDA No. 59.037

\$ 17,086

Cost Sharing Cooperative Agreement –
CFDA No. 12.002

\$ 10,908

Condition: The Organization allocates costs from their affiliate company, The Greater Lawrence County Chamber of Commerce, based upon the amount budgeted and not upon the actual amount of or the benefit received by the program.

Recommendation: I recommend that the Organization more closely monitor the invoices from their affiliated company and only charge to the programs for costs actually incurred.

Current Status: This finding is unresolved at this time.

98-2 Small Business Development

Center Program – CFDA No. 59.037

\$ 122,022

Cost Sharing Cooperative Agreement –
CFDA No. 12.002

\$ 118,858

Condition: The Organization allocates costs from their affiliate company, The Greater Lawrence County Chamber of Commerce, based upon the amount budgeted and not upon the actual amount of or the benefit received by the program.

Recommendation: I recommend that the Organization more closely monitor the invoices from their affiliated company and only charge to the programs for costs actually incurred.

Current Status: This finding is unresolved at this time.

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED DECEMBER 31, 2000

The Lawrence Economic Development Corporation respectfully submits the following corrective action plan for the year ended December 31, 2000.

Name and address:

Contact person	Patricia Clonch, Executive Director Lawrence Economic Development Corporation P.O. Box 488 South Point, Ohio 45680-0488
Telephone	740-377-4550
EIN Number	31-1075744

Name and address of independent public accounting firm:

Contact person	Roger D. Conley
Address	R.D. Conley and Company 1401 Winchester Avenue, Suite 604 Ashland, Kentucky 41101
Telephone	606-325-1064
EIN Number	31-1705260

Audit period: December 31, 2000

The findings from the December 31, 2000 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

00-1 Separation of duties

Condition: The Treasurer of Lawrence Economic Development Corporation handles all the duties related to cash transactions creating a serious lack of segregation of duties.

Recommendation: I recommend use of the bookkeeper and the director to create more separation of duties related to cash transactions.

Auditee Response: We concur with the recommendation, and it was implemented effective January 1, 2001.

Condition: The Organization's in-kind and matching contributions are not properly recorded in the Organization's general ledger.

Recommendation: I recommend that the Organization record all cash match and third party in-kind contributions in its books of accounts on a monthly basis.

Auditee Response: The Organization will develop appropriate accounting procedures to require cash match and third party in-kind contributions to be recorded in the books of accounts on a monthly basis.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

LAWRENCE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 18, 2002**