

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

LAWRENCE COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004

FISCAL YEAR AUDITED UNDER GAGAS: 2004

Caudill & Associates, CPA's

188 James Hannah Drive, P.O. Box 680
South Shore, KY 41175



Mary Taylor, CPA
Auditor of State

January 8, 2007

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 8, 2007. Thus, I am certifying this audit report for release under the signature of my predecessor.

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**Auditor of State
Betty Montgomery**

Board of Directors
Lawrence Economic Development Corporation
216 Collins Avenue
P.O. Box 488
South Point, Ohio 45680

We have reviewed the *Independent Auditor's Report* of the Lawrence Economic Development Corporation, Lawrence County, prepared by Caudill & Associates, CPAS, for the audit period January 1, 2004 through December 31, 2004. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 21, 2006

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LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

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Caudill & Associates, CPA's

188 James Hannah Drive, P.O. Box 680
South Shore, KY 41175

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Board of Directors
Lawrence Economic Development Corporation
216 Collins Avenue
South Point, Ohio 45680

Independent Auditors' Report

We have audited the accompanying statement of financial position of the Lawrence Economic Development Corporation, (a nonprofit organization) as of December 31, 2004, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Lawrence Economic Development Corporation's management. Our responsibility is to express opinions 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 the 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lawrence Economic Development Corporation, as of December 31, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated October 16, 2006 on our consideration of the Lawrence Economic Development Corporation'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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in assessing the results of our audit.

Lawrence Economic Development Corporation
Independent Auditors' Report

The accompanying schedule of federal awards expenditures 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 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 our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Caudill & Associates, CPA's

Caudill & Associates, CPA's
October 16, 2006

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2004

Assets:

Current Assets:

Cash	\$313,571
Receivables:	
Taxes	8,471
Loans	111,580
Grants	<u>3,549,658</u>
Total Current Assets	<u>3,983,280</u>

Long Term Assets:

Net Property, Plant & Equipment	<u>14,508,690</u>
Total assets	<u><u>\$18,491,970</u></u>

Liabilities and Net Assets:

Current Liabilities:

Accounts Payable and Accrued Expenses	\$410,975
Current Portion-Notes Payable	422,484
Deferred Income	<u>3,486,207</u>
Total Current Liabilities	4,319,666

Long-Term Notes Payable	<u>3,669,786</u>
Total Liabilities	<u>7,989,452</u>

Net Assets:

Unrestricted	6,952,860
Temporarily Restricted	<u>3,549,658</u>
Total Net Assets	<u>10,502,518</u>

Total Liabilities and Net Assets	<u><u>\$18,491,970</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

Changes in Unrestricted Net Assets:	
Unrestricted Revenue:	
Donations	\$52,900
Interest Income	3,515
Motel Tax	42,303
Rental Income	805,258
Program Income	31,289
Miscellaneous	<u>261,828</u>
Total Unrestricted Revenue	1,197,093
Net Assets Released from Program Restrictions:	
Satisfaction of Program Restrictions	<u>2,437,417</u>
Total Unrestricted Revenue and Other Support	<u>3,634,510</u>
Expenses:	
Convention and Visitor's Bureau	44,998
Procurement Outreach Center	177,565
Empowerment Zone Site Development	55,135
The Point	392,305
General and Administrative	<u>548,218</u>
Total Expenses before Depreciation	1,218,221
Depreciation	<u>209,832</u>
Total Expenses	<u>1,428,053</u>
Increase in Unrestricted Net Assets	<u>2,206,457</u>
Changes in Temporarily Restricted Net Assets:	
Temporarily Restricted Grant Monies	2,464,770
Net Assets released from Restrictions	<u>(2,437,417)</u>
Increase in Temporarily Restricted Net Assets	<u>27,353</u>
Increase in Net Assets	<u>2,233,810</u>
Net Assets Beginning of Year	
Unrestricted	4,746,403
Temporarily Restricted	<u>3,522,305</u>
	8,268,708
Net Assets, End of Year	
Unrestricted	6,952,860
Temporarily Restricted	<u>3,549,658</u>
	<u>\$10,502,518</u>

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

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004

Cash Flows from Operating Activities:	
Change in net assets	\$ 2,233,810
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) Decrease in:	
Depreciation	209,832
Grants Receivable	2,437,417
Taxes Receivable	15,859
Loans Receivable	21,566
Increase (decrease) in:	
Accounts payable & accrued expenses	(284,300)
Deferred Revenue	<u>(2,437,417)</u>
Net cash provided by operating activities	<u>2,196,767</u>
Cash Flows from Investing Activities	
Purchase of plant, property and equipment	<u>(3,208,664)</u>
Net cash used in investing activities	<u>(3,208,664)</u>
Cash Flows from Financing Activities	
Payments on long-term debt	(516,719)
Proceeds from long-term debt	<u>369,478</u>
Net cash provided by financing activities	<u>(147,241)</u>
Net decrease in cash and cash equivalents	(1,159,138)
Cash at January 1, 2004	<u>1,472,709</u>
Cash at December 31, 2004	<u><u>\$ 313,571</u></u>
Supplemental Cash Flow Information	
Cash paid for interest	<u><u>\$ 143,681</u></u>

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

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Convention & Visitor's Bureau	Procurement Outreach Center	Empowerment Zone Site Development	The Point	Total Program Expenses	Administrative and General	Total Expenses
Personnel	\$ 34,637	\$ 93,950	\$ -	\$ 140,649	\$ 269,236	\$ 39,869	\$ 309,105
Interest	-	-	-	278	278	143,403	143,681
Real Estate Taxes	-	-	-	40,111	40,111	-	40,111
Advertising and Marketing	750	-	-	364	1,114	23,144	24,258
Supplies	-	564	-	629	1,193	168	1,361
Rent and Utilities	6,130	18,273	17,442	43,242	85,087	454	85,541
Telephone Expense	878	6,112	-	6,087	13,077	3,987	17,064
Operational	110	4,000	-	5,457	9,567	1,182	10,749
Postage	-	4,704	-	524	5,228	339	5,567
Janitor	351	1,218	-	1,044	2,613	382	2,995
Meetings	-	2,806	-	2,840	5,646	2,126	7,772
Travel	-	17,357	-	1,088	18,445	2,268	20,713
Computer Services	123	268	-	400	791	-	791
Copies and Faxes	627	9,294	-	4,500	14,421	1,893	16,314
Dues and Subscriptions	125	5,615	-	288	6,028	735	6,763
Accounting and Auditing Services	500	1,841	-	1,873	4,214	2,013	6,227
Contractual	-	-	37,693	126,691	164,384	284,500	448,884
Printing	-	1,681	-	233	1,914	324	2,238
Equipment Expense	767	2,574	-	8,720	12,061	767	12,828
Miscellaneous	-	7,308	-	7,287	14,595	40,664	55,259
Total	\$ 44,998	\$ 177,565	\$ 55,135	\$ 392,305	\$ 670,003	\$ 548,218	\$ 1,218,221

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

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Lawrence Economic Development Corporation (the Corporation) is a non-profit corporation established in August 1983 under the governing laws of the State of Ohio. The Corporation 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.

B. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The financial statements of the Lawrence Economic Development Corporation have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

C. FINANCIAL STATEMENT PRESENTATION

The Lawrence Economic Development Corporation has adopted Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting of Contributions Received and Made*, and SFAS No. 117, *Financial Statement for Not-Profit Organizations*. SFAS No. 117 establishes 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 and for each net asset category in accordance with donor imposed restrictions. A description of the three net asset categories follows:

Permanently Restricted Net Assets – The Lawrence Economic Development Corporation reports gifts of cash and other assets 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 - The Lawrence Economic Development Corporation reports gifts of cash, grants and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unrestricted Net Assets - The Lawrence Economic Development Corporation reports gifts of cash, land, buildings and equipment as unrestricted unless explicit donor stipulations specify how the donated assets must be used.

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Lawrence Economic Development Corporation.

E. ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reporting 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.

F. PROPERTY, PLANT & EQUIPMENT

Fixed assets acquired for the general use of the Lawrence Economic Development Corporation in providing service are recorded at cost. Depreciation of fixed assets of the Lawrence Economic Development Corporation is calculated utilizing the straight line method. All assets reported in the financial statements are at cost less accumulated depreciation. The Corporation doesn't have a capitalization policy.

The estimated useful lives by major fixed asset class are as follows:

Buildings	40 years
Equipment	5 years
Furniture & Fixtures	5 years
Vehicles	5 years

G. INCOME TAXES

The Corporation 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.

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. REVENUES

Revenues are recognized in the accompanying financial statements as follows:

1. Grants and Reimbursement Contracts

The funds from various funding sources under reimbursement contracts are recognized as revenue in the accounting period in which the grant is earned.

2. 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.

3. Interest Income

Interest Income is recognized in the accounting period when it is earned. The Lawrence Economic Development Corporation, maintains funds received from the various sources in interest bearing checking accounts. The portion of interest earned on advances of direct federal funds is remitted to the federal funding sources in accordance with OMB Circular A-110, Attachment D, Uniform Administrative Requirements of Grants and Agreements with Nonprofit Organizations. The interest earned on other funds is included in unrestricted funds and is used to support the Lawrence Economic Development Corporation programs.

4. Donations

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

I. CASH and CASH EQUIVALENTS

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

J. 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:

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. COST ALLOCATION (Continued)

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.

NOTE 2—CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

Protection of the Lawrence Economic Development Corporation deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

Deposits At year end, the carrying amount of Lawrence Economic Development Corporation deposits was \$313,571 and the bank balance was \$323,314. Of the bank balance:

1. \$235,250 was covered by federal depository insurance.
2. \$88,064 was collateralized by securities held by the financial institution on the institution's name.

NOTE 3 – GOVERNMENTAL GRANTS RECEIVABLE

Grants Receivable were collectible in one year and consisted of the following amounts at December 31, 2004:

Program	Grant No.	Amount
The Point	N/A	\$1,398,989
Empowerment Zone	N/A	2,150,669
		\$3,549,658

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

NOTE 4 - PROPERTY, PLANT & EQUIPMENT

The balance of property and equipment at December 31, 2004, consists of the following:

Land and Land Improvements	\$7,006,302
Buildings and Improvements	8,634,343
Machinery and Equipments	65,292
Vehicles	<u>24,478</u>
Total	15,730,415
Accumulated depreciation	<u>(1,221,725)</u>
Net	<u>\$14,508,690</u>

NOTE 5 - NOTES PAYABLE

Notes Payable at December 31, 2004 consists of the following:

Notes Payable to Ohio Department of Development, secured by real estate and building bearing an interest rate of 3% due September 2012

\$ 1,393,642

Note Payable to Ohio Department of Development, secured by an Open-end mortgage and a second lien and mortgage on the Liebert Project bearing an interest rate of 4% due December 2012

1,675,879

Note Payable US Bank, secured by real estate and building, bearing an interest rate of 6%, due 2018

163,667

Note Payable to Ohio Department of Development Economic Division, Secured by mortgage on project property, bearing an interest rate of 0% for the first five years, and 3% thereafter, due January 2018

500,000

Note Payable to Ohio River Bank, secured by real estate and building, bearing a variable interest rate of 3.88%, due 2019

335,506

Note Payable to GMAC, secured by a vehicle, bearing an interest rate of 8.24%, due November 2008

23,576

Total Long-Term Debt

4,092,270

Less Current Portion of Long-Term Debt

(422,484)

Total Notes Payable

\$3,669,786

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

NOTE 5 - NOTES PAYABLE (Continued)

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

2005	\$	422,484
2006		483,649
2007		500,006
2008		517,862
2009		531,667
Thereafter		2,366,437
	\$	4,822,105

NOTE 6 – CONCENTRATIONS OF CREDIT RISK ARISING FROM RECEIVABLE

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

NOTE 7 – 166 REGIONAL LOAN PROGRAM

The Corporation manages a 166 Regional Loan Program pursuant to an agreement with the Ohio Department of Development dated October 8, 1996. The agreement states that the organization provides assistance in making loans to companies in the service area who are in need of capital expansion funds. The program is managed by the Corporation and held in an escrow account on behalf of the Ohio Department of Development. Loan Activity for the year ending December 31, 2004 is as follows:

Beginning balance	\$	693,794
Interest earned		10,464
Principal payments received		54,384
Interest payments received		29,755
Management fees		(3,672)
Loan Disbursements made		-
Administrative fees		(41,088)
Ending Escrow balance		743,637
Admin Escrow		-
Available to lend	\$	743,637

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004
(Continued)

NOTE 8—RESTATEMENT OF FINANCIAL STATEMENTS

During confirming the grant revenue as part of the auditing procedures, we discovered that most grant agreements were approved in prior years and that the Corporation did not record them as grants receivable. These reimbursement based grants were confirmed and we determined the prior period adjustment needed to correct the grant receivable and deferred revenue balance in the prior year. There was no effect on net assets.

The effect of the restatement on the change in financial position as of and for the year ended December 31, 2003 is as follows:

	<u>2003</u>	
	<u>As previously reported</u>	<u>Restated</u>
Grants Receivable	\$ 63,451	\$5,987,075
Deferred Revenue	101,403	5,923,624
Net assets	8,268,708	8,268,708

Lawrence Economic Development Corporation
Lawrence County

Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2004

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>United States Department of Commerce</u>			
<u>Public Works And Economic Development Cluster</u>			
Grants for Public Works and Economic Development Facilities	N/A	11.300	<u>\$ 1,145,771</u>
Subtotal U.S. Department of Commerce			<u>1,145,771</u>
<u>United States Department of Defense</u>			
Procurement Technical Assistance for Business Firms	N/A	12.002	<u>128,700</u>
Subtotal U.S. Department of Defense			<u>128,700</u>
<u>United States Department of Housing and Urban Development</u>			
Pass-through program from: Huntington, West Virginia -Ironton, Ohio Empowerment Zone, Inc. Empowerment Zone Site Development Program			
Empowerment Zones Program	N/A	14.244	<u>424,808</u>
Pass-through Ohio Department of Development			
Community Development Block Grants/Brownsfield Economic Development Initiative	N/A	14.246	<u>92,315</u>
Subtotal U.S. Department of Housing and Urban Development			<u>517,123</u>
Total Federal Financial Assistance			<u><u>\$ 1,791,594</u></u>

NA - Pass Through Entity Number is Not Available
See Accompanying Notes to the Schedule of Federal Awards Expenditures

**LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004**

NOTE A - - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the Corporation's federal award programs. The schedule has been prepared on the cash basis of accounting.

Caudill & Associates, CPA's

188 James Hannah Drive, P.O. Box 680
South Shore, KY 41175

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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*

Board of Directors
Lawrence Economic Development Corporation
216 Collins Avenue
South Point, Ohio 45680

We have audited the financial statements of the Lawrence Economic Development Corporation, Lawrence County, as of and for the year ended December 31, 2004, and have issued our report thereon dated October 16, 2006. 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 Lawrence Economic Development Corporation internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Corporation's ability to initiate, record, process, and report financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2004-001 through 2004-002.

A material weakness is a reportable 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 caused by error or fraud 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. Our 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, we believe that none of the reportable conditions above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lawrence Economic Development Corporation financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as item 2004-003.

We noted certain matters that we reported to management of the Lawrence Economic Development Corporation in a separate letter dated October 16, 2006.

Board of Directors

Lawrence Economic Development Corporation

South Point, Ohio 45680

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*

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

Caudill & Associates, CPAs

Caudill & Associates, CPA's

October 16, 2006

Caudill & Associates, CPA's

188 James Hannah Drive, P.O. Box 680
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Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB CIRCULAR A-133

Board of Directors
Lawrence Economic Development Corporation
216 Collins Avenue
South Point, Ohio 45680

Compliance

We have audited the compliance of the 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 its major federal programs for the year ended December 31, 2004. The 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 its major federal programs is the responsibility of the Lawrence Economic Development Corporation's management. Our responsibility is to express an opinion on the Lawrence Economic Development Corporation'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 Lawrence Economic Development Corporation 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 Lawrence Economic Development Corporation's compliance with those requirements.

In our opinion, the Lawrence Economic Development Corporation complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2004.

Internal Control over Compliance

The management of the 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 our audit, we considered the Lawrence Economic Development Corporation 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Board of Directors
Lawrence Economic Development Corporation
South Point, Ohio 45680

Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Our 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 reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Director's, 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.

Caudill & Associates, CPA's

Caudill & Associates, CPA's
October 16, 2006

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY
DECEMBER 31, 2004

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Grants for Public Works and Economic Development Facilities CFDA #11.300
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY
DECEMBER 31, 2004

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2004-001

Reportable Condition

The Corporation doesn't have a numbering system for the Chart of Accounts and the Corporation's general ledger resembles that of a for profit entity.

A Chart of Accounts should have a numeric ordering system that allows data to be captured and categorized according to the Statement of the Financial Accounting Standards (SFAS) No. 116 and 117. SFAS statements No. 116 and 117 prescribe standards for accounting and reporting by not for profit organizations. All not for profits are required to provide a statement of financial position, statement of activities, and a statement of cash flows. Within the statement of financial position and activities the corporation is required to display the amounts for each of the three classes of net assets which are permanently restricted, temporarily restricted, and unrestricted.

By not having a numbering system for the Chart of Accounts and a general ledger that resembles a for profit entity, potential material misstatements/misclassifications could result in the corporation's financial statements.

We recommend that the Corporation create a numeric system for its chart of accounts and restructure its current general ledger from a for profit entity to a not for profit entity. If assistance is needed in this project, the corporation should consider hiring an outside consulting firm to restructure its general ledger in the format of a not for profit.

Officials Response:

The Corporation has agreed to hire a consulting firm to assist in restructuring its general ledger that will resemble that of a not for profit entity.

FINDING NUMBER 2004-002

Reportable Condition

The Corporation has too many general ledger accounts established in the Corporation's accounting system.

The Corporation should limit their general ledger accounts in the accounting system to the least amount as possible. The Corporation has an account established for every new activity that occurs in its daily operations.

The accounting system is less effective, accounting personnel are over burdened, and the cost-benefit relationship is greatly decreased by having numerous and unnecessary general ledger accounts in the accounting system.

We recommend that the Corporation reduce its general ledger accounts currently in the accounting system to the amount that has a more positive cost-benefit relationship.

Officials Response:

The Corporation has agreed to hire a consulting firm to assist in restructuring its general ledger and reduce the amount of general ledger accounts.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY
DECEMBER 31, 2004
(Continued)

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2004-003

Noncompliance Citation

The Corporation didn't file their 2004 and 2005 annual report to the Auditor of State as required by Ohio Revised Code Section 1724.05 and 1724.06.

Per Ohio Rev. Code Section 1724.05 and 1724.06, Corporations must submit (unaudited) annual GAAP financial reports to the Auditor of State. The corporation must file the annual report within 120 days of fiscal year end. The Ohio Rev. Code does not prescribe a fiscal year end for these corporations. Additionally, the AOS must certify corporations to the Secretary of State in the following two circumstances: (A) If a Corporation files its annual report more than 90 days delinquent (i.e. does not file its annual GAAP financial statement report within 210 days of its fiscal year end). (B) If a Corporation does not present auditable records within 90 days of determination by the AOS that a Corporation is unauditible. Upon certification, the Secretary of State is to cancel the Corporation's articles of incorporation until the deficiency is remedied.

We recommend that the Corporation file its annual financial report within the 120 days after year end to the Auditor of State. We also recommend that the Corporation file their 2004 and 2005 annual reports immediately to the Auditor of State to avoid possible dissolution of the Corporation.

Officials Response:

The Corporation will file their 2004 and 2005 annual reports immediately to the Auditor of State and will file all future reports within the 120 days after fiscal year end as required by Ohio Rev. Code Section 1724.05 and 1724.06.

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY
DECEMBER 31, 2004

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	None
CFDA Title and Number	
Federal Award Number/Year	
Federal Agency	
Pass-Through Agency	

**LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

4. SCHEDULE OF PRIOR AUDIT FINDINGS

None



**Auditor of State
Betty Montgomery**

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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
JANUARY 11, 2007**