

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

LAWRENCE COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2012

FISCAL YEAR AUDITED UNDER GAGAS: 2012



Caudill & Associates, CPA

725 5th Street Portsmouth, OH 45662

P: 740.353.5171 | F: 740.353.3749

www.caudillcpa.com



Dave Yost • Auditor of State

Board of Trustees
Lawrence Economic Development Corporation
216 Collins Avenue
PO 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, 2012 through December 31, 2012. 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 that reads "Dave Yost".

Dave Yost
Auditor of State

June 24, 2013

This page intentionally left blank.

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

TABLE OF CONTENTS

| <u>TITLE</u> | <u>PAGE</u> |
|---|-------------|
| Independent Auditors' Report | 1 |
| Financial Statements: | |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Cash Flows | 5 |
| Statement of Functional Expenses | 6 |
| Notes to the Financial Statements | 7-13 |
| Schedule of Expenditures of Federal Awards | 14 |
| Notes to the Schedule of Expenditures of Federal Awards | 15 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i> | 16-17 |
| Independent Auditor's Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 | 18-19 |
| Schedule of Findings and Questioned Costs | 20 |



Caudill & Associates, CPA

725 5th Street Portsmouth, OH 45662
P: 740.353.5171 | F: 740.353.3749
www.caudillcpa.com

Member American Institute of Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

We have audited the accompanying financial statements of the financial position, the related statements of activities, functional expenses and cash flows of Lawrence Economic Development Corporation, (the Corporation), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Corporation's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Lawrence Economic Development Corporation, as of December 31, 2012, and the respective changes in net assets, functional expenses and cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Lawrence Economic Development Corporation
Independent Auditor's Report

We conducted our audit to opine on the financial statements that collectively comprise the Corporation's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the 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. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 04, 2013, on our consideration of the 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 describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Caudill & Associates, CPA

Caudill & Associates, CPA
June 04, 2013

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012

Assets:

Current Assets:

| | | |
|--|----|-----------|
| Unrestricted Cash and Cash Equivalents | \$ | 3,061,472 |
| Restricted Cash | | 1,285,269 |
| Receivables: | | |
| Accounts | | 320,746 |
| Loans | | 274,860 |
| Inventory | | 14,000 |
| Other Assets | | 920,106 |
| Total Current Assets | | 5,876,453 |

Long Term Assets:

| | | |
|---------------------------------|----|------------|
| Net Property, Plant & Equipment | | 24,273,952 |
| Total assets | \$ | 30,150,405 |

Liabilities and Net Assets:

Current Liabilities:

| | | |
|---------------------------------------|----|-----------|
| Accounts Payable and Accrued Expenses | \$ | 112,854 |
| Customer Deposits | | 101,579 |
| Current Portion - Notes Payable | | 1,114,178 |
| Total Current Liabilities | | 1,328,611 |

| | | |
|-------------------------|--|-----------|
| Long-Term Notes Payable | | 5,145,913 |
| Total Liabilities | | 6,474,524 |

Net Assets:

| | | |
|----------------------------------|----|------------|
| Unrestricted | | 23,675,881 |
| Temporarily Restricted | | - |
| Total Net Assets | | 23,675,881 |
| Total Liabilities and Net Assets | \$ | 30,150,405 |

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, 2012

| | |
|-------------------------------------|-----------------------------|
| Changes in Unrestricted Net Assets: | |
| Unrestricted Revenue: | |
| Donations | \$ 128,824 |
| Interest Income | 10,757 |
| Motel Tax | 93,111 |
| Federal and State Grants | 2,608,685 |
| Rental Income | 905,554 |
| Program Income | 20,591 |
| Gain on Sale of Assets | 454,522 |
| Miscellaneous | 382,848 |
| Total Unrestricted Revenue | <u>\$ 4,604,892</u> |
| Expenses: | |
| Convention and Visitor's Bureau | \$ 107,090 |
| Chamber of Commerce | 28,041 |
| Procurement Outreach Center | 472,702 |
| The Point | 1,517,235 |
| General and Administrative | 546,929 |
| Total Expenses before Depreciation | <u>2,671,997</u> |
| Depreciation | 533,661 |
| Total Expenses | <u>\$ 3,205,658</u> |
| Increase in Unrestricted Net Assets | 1,399,234 |
| Net Assets Beginning of Year | |
| Unrestricted | <u>22,276,647</u> |
| Net Assets, End of Year | |
| Unrestricted | <u><u>\$ 23,675,881</u></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, 2012

| | |
|--|----------------------------|
| Cash Flows from Operating Activities: | |
| Change in net assets | \$ 1,399,234 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 533,661 |
| Gain on Sale of Assets | (454,522) |
| Increase/(Decrease) in Assets: | |
| Grants Receivable | 953,479 |
| Accounts Receivable | 102,167 |
| Loans Receivable | (154,860) |
| Inventory | 4,048 |
| Other Assets | 5,331 |
| Increase/(Decrease) in Liabilities: | |
| Accounts payable & accrued expenses | (51,263) |
| Customer Deposits | 40,010 |
| Deferred Revenue | <u>(1,420)</u> |
| Net cash provided by operating activities | <u>2,375,865</u> |
| Cash Flows from Investing Activities | |
| Sale of Assets | 697,346 |
| Purchase of plant, property and equipment | <u>(5,308,718)</u> |
| Net cash used by investing activities | <u>(4,611,372)</u> |
| Cash Flows from Financing Activities | |
| Payments on long-term debt | (819,390) |
| Proceeds from long-term debt | <u>4,464,800</u> |
| Net cash provided by financing activities | <u>3,645,410</u> |
| Net increase in cash and cash equivalents | 1,409,903 |
| Cash at January 1, 2012 | <u>2,936,838</u> |
| Cash at December 31, 2012 | <u><u>\$ 4,346,741</u></u> |
| Supplemental Cash Flow Information | |
| Cash paid for interest | <u><u>\$ 130,898</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, 2012

| | Convention & Visitor's Bureau | Chamber of Commerce | Procurement Outreach Center | The Point | Total Program Expenses | Administrative and General | Total Expenses |
|----------------------------------|-------------------------------------|---------------------------|-----------------------------------|---------------------|------------------------------|----------------------------------|---------------------|
| Personnel | \$ 54,691 | \$ 17,297 | \$ 246,418 | \$ 232,020 | \$ 550,426 | \$ 111,493 | \$ 661,919 |
| Interest | - | - | - | 27,041 | 27,041 | 103,857 | 130,898 |
| Real Estate Taxes | - | - | - | 42,815 | 42,815 | 42,854 | 85,669 |
| Advertising and Marketing | 1,000 | - | 320 | 3,685 | 5,005 | 1,985 | 6,990 |
| Supplies | 568 | - | 1,859 | 2,055 | 4,482 | 17,550 | 22,032 |
| Rent and Utilities | 6,416 | - | 25,000 | 33,025 | 64,441 | 13,111 | 77,552 |
| Telephone Expense | 717 | - | 6,155 | 4,897 | 11,769 | 3,854 | 15,623 |
| Operational | 36,033 | - | 6,500 | 11,661 | 54,194 | 126,053 | 180,247 |
| Postage | 115 | - | 1,124 | 506 | 1,745 | 647 | 2,392 |
| Janitor | 359 | - | 1,347 | 4,238 | 5,944 | 7,413 | 13,357 |
| Meetings | - | - | 7,177 | 800 | 7,977 | 7,382 | 15,359 |
| Travel | 240 | 1,294 | 20,701 | 7,532 | 29,767 | 8,295 | 38,062 |
| Insurance | - | 9,450 | - | 625 | 10,075 | 42,409 | 52,484 |
| Copies and Faxes | 180 | - | 4,161 | 2,640 | 6,981 | 3,368 | 10,349 |
| Dues and Subscriptions | 165 | - | 8,579 | 865 | 9,609 | 1,236 | 10,845 |
| Accounting and Auditing Services | 3,275 | - | 22,612 | 4,172 | 30,059 | 5,419 | 35,478 |
| Legal | - | - | - | 24,000 | 24,000 | 24,325 | 48,325 |
| Contractual | 206 | - | 368 | 1,069,727 | 1,070,301 | 9,923 | 1,080,224 |
| Equipment Expense | 3,125 | - | 15,200 | 44,731 | 63,056 | 9,826 | 72,882 |
| Donated Facilities | - | - | 37,556 | - | 37,556 | - | 37,556 |
| Miscellaneous | - | - | 67,625 | 200 | 67,825 | 5,929 | 73,754 |
| Total | \$ 107,090 | \$ 28,041 | \$ 472,702 | \$ 1,517,235 | \$ 2,125,068 | \$ 546,929 | \$ 2,671,997 |

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, 2012

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, 2012
(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. Fixed asset purchases or construction are capitalized with a cost of \$2,500 or more and with a useful life of more than one year.

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

| | |
|--------------------------------------|----------|
| Buildings | 40 years |
| Buildings and Leasehold improvements | 40 years |
| Land Improvements | 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, 2012
(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. Restricted cash and cash equivalents are limited in use to payment of costs of constructing new facilities and the related expenses.

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, 2012
(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 \$4,346,741 and the bank balance was \$4,504,100. Of the bank balance:

Deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000 for 2012. \$781,463 was insured by FDIC and the remaining bank balance in the amount of \$3,722,637 was collateralized by securities held by the financial institution in the institution's name.

NOTE 3 – GOVERNMENTAL GRANTS RECEIVABLE

Grants Receivables are considered collectible in one year. As of December 31, 2012, no grant receivables were outstanding.

NOTE 4 - PROPERTY, PLANT & EQUIPMENT

The balance of property and equipment at December 31, 2012, consists of the following:

| | |
|----------------------------|---------------------|
| Land and Land Improvements | \$6,437,412 |
| Construction in Progress | 3,386,033 |
| Buildings and Improvements | 17,190,264 |
| Machinery and Equipment | 468,161 |
| Vehicles | <u>268,812</u> |
| Total | 27,750,682 |
| Accumulated depreciation | <u>(3,476,730)</u> |
| Net | <u>\$24,273,952</u> |

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)

NOTE 5 - NOTES PAYABLE

Notes Payable at December 31, 2012 consists of the following:

| | |
|---|--------------------|
| Notes Payable to Wesbanco, secured by real estate and building bearing an interest rate of 3.5% due June 2020 | \$ 300,038 |
| Notes Payable to Ohio Valley Bank, Secured by real estate and building Bearing an interest rate of 2.95% due September 2012 | 667,000 |
| Note Payable US Bank, secured by real estate and building, bearing an interest rate of 6%, due 2018 | 79,410 |
| Note Payable to Guarantee Bank and Trust, secured by real estate and a building Bearing an interest rate of 4.125%, due August 2020 | 59,395 |
| Note Payable to Ohio River Bank, secured by real estate and building, bearing an interest rate of 4.75%, due June 2020. | 726,147 |
| Note Payable to Wesbanco, secured by real estate and building, bearing an interest rate of 3.375%, due April 2023. | 385,161 |
| Note Payable to Raymond and Patricia Bailey, secured by real estate and buildings, bearing an interest rate of 3.5%, due July 2020. | 378,140 |
| Note Payable to Wesbanco, secured by real estate and buildings, bearing an interest rate of 3.5%, due January 2026. | 1,200,000 |
| Note Payable to Wesbanco, secured by real estate and buildings, bearing a variable interest rate of 3.5%, due May 2025. | <u>2,464,800</u> |
| Total Long-Term Debt | <u>6,260,091</u> |
| Less Current Portion of Long-Term Debt | <u>(1,114,178)</u> |
| Total Notes Payable | <u>\$5,145,913</u> |

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)

NOTE 5 - NOTES PAYABLE (Continued)

The future scheduled maturities of long term debt are as follows:

| | |
|------------|---------------------|
| 2013 | \$1,114,178 |
| 2014 | 531,754 |
| 2015 | 552,707 |
| 2016 | 540,988 |
| 2017 | 587,991 |
| Thereafter | <u>2,932,473</u> |
| | <u>\$ 6,260,091</u> |

NOTE 6 – CONCENTRATIONS

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, 2012 is as follows:

| | |
|-----------------------------|--------------------------|
| Beginning balance | \$ 681,042 |
| Interest earned | 14 |
| Principal payments received | 130,090 |
| Interest payments received | 22,596 |
| Management fees | (422) |
| Loan Disbursements made | - |
| Administrative fees | <u>(17,743)</u> |
| Ending Escrow balance | 815,577 |
| Admin Escrow | - |
| Loans Pending | - |
| Available to lend | <u><u>\$ 815,577</u></u> |

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)

NOTE 8 – SUBSEQUENT EVENTS

Consideration of subsequent events for inclusion and disclosure in these financial statements was made through the date of the report, which is the date that the financial statements were available to be issued, and would include all relevant material circumstances and events. No subsequent events were deemed necessary to disclose.

NOTE 9– RETIREMENT PLAN

The organization has a SEP-IRA retirement plan covering all employees who meet the eligibility requirements. The organization's contributions to the plan have been determined by the Board of Directors. Contributions to the plan were \$10,653 for the year ended December 31, 2012.

NOTE 10 – MISCELLANEOUS INCOME

During 2012, the Organization incurred expenses on several projects including Charley Creek Road Project, Chatham Steel Project, and the Ironton Lofts Project on behalf of the Lawrence County Community Action Organization. The incurred expenses were subsequently reimbursed by the Lawrence County Community Action Organization. The total amount paid as a reimbursement to the Lawrence Economic Development Corporation from Lawrence County Community Action for various projects amounted to approximately \$149,388 (39%) of the total amount of miscellaneous income in 2012.

NOTE 11 – OTHER ASSETS

During March 2011, the Organization agreed to provide a deposit for a construction loan, jointly with the Lawrence County Community Action Organization on behalf of St. Mary's Hospital. The Organizations' deposit in the amount of \$250,000 has been placed in an escrow account by a local attorney on behalf of LEDC and the remaining \$675,437 in an escrow account at People's Bank. At December 31, 2012, the balance of the account was \$670,106. The security deposits will be returned to the Organization as a reimbursement when Ohio Valley Bank has opened the loan for construction.

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2012

| Federal Grantor/ Pass Through Grantor/ Program Title | Pass Through Entity Number | Federal CFDA Number | Disbursements |
|--|----------------------------------|---------------------------|----------------------------|
| United States Department of Defense | | | |
| Procurement Technical Assistance For Business Firms | N/A | 12.002 | \$ 448,275 |
| Total U.S. Department of Defense | | | <u>448,275</u> |
| United States Department of Housing and Urban Development | | | |
| <i>Pass through from the Ohio Department of Housing and Urban Development</i> | | | |
| Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants | N/A | 14.251 | <u>5,661</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>5,661</u> |
| United States Department of Transportation | | | |
| <i>Pass through from the Ohio Department of Transportation</i> | | | |
| ARRA - Highway Planning and Construction | N/A | 20.205 | <u>1,052,299</u> |
| Total U.S. Department of Transportation | | | <u>1,052,299</u> |
| Total Federal Awards | | | <u><u>\$ 1,506,235</u></u> |

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) is a summary of the activity of the Corporation's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING

Certain Federal programs require the Organization to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Organization has met its matching requirements. The schedule does not include the expenditure of non-Federal matching funds.



Caudill & Associates, CPA

725 5th Street Portsmouth, OH 45662

P: 740.353.5171 | F: 740.353.3749

www.caudillcpa.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Directors:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Lawrence Economic Development Corporation, (the Corporation), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated June 04, 2013.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Corporation's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Corporation's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Corporation's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Board of Director's
Lawrence Economic Development Corporation

Independent Auditor's Report on Internal Control Over Financial Reporting and on compliance and Other Matters Required by *Government Auditing Standards*

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We intend this report solely for the information and use of management, Board of Directors, federal awarding agencies, Auditor of State, pass-through entities, and others within the Corporation. We intend it for no one other than these specified parties.

Caudill & Associates, CPA

Caudill & Associates, CPA
June 04, 2013



Caudill & Associates, CPA

725 5th Street Portsmouth, OH 45662
P: 740.353.5171 | F: 740.353.3749
www.caudillcpa.com

Member American Institute of Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Lawrence Economic Development Corporation
216 Collins Avenue
South Point, Ohio 45662

To the Board of Directors:

Report on Compliance for Each Major Federal Program

We have audited the Lawrence Economic Development Corporation's (the Corporation) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Lawrence Economic Development Corporation's major federal program for the year ended December 31, 2012. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Corporation's major federal program.

Management's Responsibility

The Corporation's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Corporation's compliance for each of the Corporation's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Corporation's major program. However, our audit does not provide a legal determination of the Corporation's compliance.

Board of Directors
Lawrence Economic Development Corporation

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Opinion on the Major Federal Program

In our opinion, the Lawrence Economic Development Corporation complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

The Corporation's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Corporation's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

We intend this report solely for the information and use of management, Board of Directors, federal awarding agencies, Auditor of State and pass-through entities. It is not intended for anyone other than these specified parties.

Caudill & Associates, CPA

Caudill & Associates, CPA
June 04, 2013

**LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|--|--|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unqualified |
| <i>(d)(1)(ii)</i> | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(ii)</i> | Were there any other Significant Control Deficiency(ies) reported at the financial statement level (GAGAS)? | None Noted |
| <i>(d)(1)(iii)</i> | Was there any reported material non-compliance at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iv)</i> | Were there any material internal control weakness conditions reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any significant deficiency(ies) in internal control reported for major federal programs? | None Noted |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unqualified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | ARRA – Highway Planning and Construction – CFDA 20.205 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A\B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | Yes |

**LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2012**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Dave Yost • Auditor of State

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
JULY 9, 2013**