

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

LAWRENCE COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2013

FISCAL YEAR AUDITED UNDER GAGAS: 2013



Caudill & Associates, CPA

P.O. Box 751
South Shore, KY 41175



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Lawrence Economic Development Corporation, Lawrence County, prepared by Caudill & Associates, CPAs, for the audit period January 1, 2013 through December 31, 2013. 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

September 4, 2014

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
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Government Auditing Standards</i>	14-15

This page intentionally left blank.



Caudill & Associates, CPA

P.O. Box 751, South Shore, KY 41175

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 Lawrence Economic Development Corporation, Lawrence County, Ohio (the Corporation) (a nonprofit organization), as of and for the year ended December 31, 2013, 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's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lawrence Economic Development Corporation, Inc., as of December 31, 2013, and the respective changes in net assets, functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2014, on our consideration of Lawrence Economic Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Lawrence Economic Development Corporation's internal control over financial reporting and compliance.

Caudill & Associates, CPA

Caudill & Associates, CPA
June 16, 2014

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013

Assets:

Current Assets:

Unrestricted Cash and Cash Equivalents	\$	4,258,347
Restricted Cash		241,199
Receivables:		
Accounts		444,861
Loans		1,368,031
Inventory		14,000
Other Assets		250,500
Total Current Assets		6,576,938

Long Term Assets:

Net Property, Plant & Equipment		33,668,657
Total assets	\$	40,245,595

Liabilities and Net Assets:

Current Liabilities:

Accounts Payable and Accrued Expenses	\$	1,109,339
Customer Deposits		49,685
Current Portion - Notes Payable		1,340,073
Total Current Liabilities		2,499,097

Long-Term Notes Payable		7,922,528
Total Liabilities		10,421,625

Net Assets:

Unrestricted		29,823,970
Temporarily Restricted		-
Total Net Assets		29,823,970
Total Liabilities and Net Assets	\$	40,245,595

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, 2013

Changes in Unrestricted Net Assets:	
Unrestricted Revenue:	
Donations	\$ 137,132
Interest Income	3,830
Motel Tax	82,804
Federal and State Grants	1,574,264
Business and Local Grants	103,771
Rental Income	1,467,709
Program Income	10,496
Gain on Sale of Assets	1,470,999
Miscellaneous	802,236
Total Unrestricted Revenue	<u>\$ 5,653,241</u>
Expenses:	
Convention and Visitor's Bureau	\$ 125,874
Chamber of Commerce	21,220
Procurement Outreach Center	386,672
The Point	544,944
General and Administrative	1,304,921
Total Expenses before Depreciation	<u>2,383,631</u>
Depreciation	717,520
Total Expenses	<u>\$ 3,101,151</u>
Increase in Unrestricted Net Assets	2,552,090
Net Assets Beginning of Year, Restated	
Unrestricted	<u>27,271,880</u>
Net Assets, End of Year	
Unrestricted	<u>\$ 29,823,970</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, 2013

Cash Flows from Operating Activities:		
Change in net assets	\$	2,552,090
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		717,520
Gain on Sale of Assets		(1,470,999)
Increase/(Decrease) in Assets:		
Grants Receivable		-
Accounts Receivable		124,115
Loans Receivable		(1,093,171)
Inventory		-
Other Assets		669,606
Increase/(Decrease) in Liabilities:		
Accounts payable & accrued expenses		996,485
Customer Deposits		(51,894)
Deferred Revenue		-
		<hr/>
Net cash provided by operating activities		<u>2,443,752</u>
Cash Flows from Investing Activities		
Sale of Assets		1,726,618
Purchase of plant, property and equipment		<u>(7,020,074)</u>
		<hr/>
Net cash used by investing activities		<u>(5,293,456)</u>
Cash Flows from Financing Activities		
Payments on long-term debt		(1,167,445)
Proceeds from long-term debt		<u>4,169,954</u>
		<hr/>
Net cash provided by financing activities		<u>3,002,509</u>
		<hr/>
Net increase in cash and cash equivalents		152,805
Cash at January 1, 2013		<u>4,346,741</u>
Cash at December 31, 2013	\$	<u><u>4,499,546</u></u>
Supplemental Cash Flow Information		
Cash paid for interest	\$	<u><u>213,262</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, 2013

	Convention & Visitor's Bureau	Chamber of Commerce	Procurement Outreach Center	The Point	Total Program Expenses	Administrative and General	Total Expenses
Personnel	\$ 100,396	\$ 21,220	\$ 231,112	\$ 291,523	\$ 644,251	\$ 120,297	\$ 764,548
Interest	-	-	-	27,121	27,121	186,141	213,262
Real Estate Taxes	-	-	-	43,203	43,203	53,444	96,647
Advertising and Marketing	1,050	-	-	12,889	13,939	7,350	21,289
Supplies	571	-	2,137	2,113	4,821	17,550	22,371
Rent and Utilities	6,408	-	25,000	47,066	78,474	25,902	104,376
Telephone Expense	714	-	4,532	6,524	11,770	3,856	15,626
Operational	4,810	-	6,500	14,577	25,887	195,082	220,969
Postage	46	-	1,113	1,112	2,271	647	2,918
Janitor	335	-	1,565	1,167	3,067	4,692	7,759
Meetings	-	-	-	800	800	7,251	8,051
Travel	751	-	18,297	2,337	21,385	33,497	54,882
Insurance	-	-	-	530	530	31,782	32,312
Copies and Faxes	54	-	5,950	3,454	9,458	1,209	10,667
Dues and Subscriptions	201	-	8,789	665	9,655	1,236	10,891
Accounting and Auditing Services	2,800	-	17,661	3,938	24,399	4,143	28,542
Legal	-	-	-	24,000	24,000	14,290	38,290
Contractual	144	-	-	14,552	14,696	143,024	157,720
Equipment Expense	6,495	-	15,200	39,008	60,703	22,411	83,114
Donated Facilities	-	-	48,616	-	48,616	-	48,616
Miscellaneous	1,099	-	200	8,365	9,664	431,117	440,781
Total	\$ 125,874	\$ 21,220	\$ 386,672	\$ 544,944	\$ 1,078,710	\$ 1,304,921	\$ 2,383,631

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, 2013

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, 2013
(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, 2013
(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, 2013
(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 \$4,499,546 and the bank balance was \$4,594,222. Of the bank balance:

Deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000 for 2013. \$681,209 was insured by FDIC and the remaining bank balance in the amount of \$3,913,013 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, 2013, no grant receivables were outstanding.

NOTE 4 - PROPERTY, PLANT & EQUIPMENT

The balance of property and equipment at December 31, 2013, consists of the following:

Land and Land Improvements	\$6,725,611
Construction in Progress	4,160,599
Buildings and Improvements	26,104,986
Machinery and Equipment	598,025
Vehicles	<u>74,448</u>
Total	37,663,669
Accumulated depreciation	<u>(3,995,012)</u>
Net	<u>\$33,668,657</u>

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

NOTE 5 - NOTES PAYABLE

Notes Payable at December 31, 2013 consists of the following:

Notes Payable to Wesbanco, secured by real estate and building bearing an interest rate of 3.5% due June 2020	\$ 220,075
Notes Payable to PNC Bank, Secured by real estate and building Bearing an interest rate of 3.69% due September 2028	3,529,608
Note Payable Ohio Development Services Agency, secured by real estate and building, bearing an interest rate of 0%, due August 2028	640,346
Note Payable to Guarantee Bank and Trust, secured by real estate and a building Bearing an interest rate of 4.125%, due August 2020	52,741
Note Payable to Ohio River Bank, secured by real estate and building, bearing an interest rate of 4.75%, due June 2020.	643,034
Note Payable to Wesbanco, secured by real estate and building, bearing an interest rate of 3.375%, due April 2023.	353,467
Note Payable to Raymond and Patricia Bailey, secured by real estate and buildings, bearing an interest rate of 3.5%, due July 2020.	333,263
Note Payable to Wesbanco, secured by real estate and buildings, bearing an interest rate of 3.5%, due January 2026.	1,122,260
Note Payable to Wesbanco, secured by real estate and buildings, bearing a variable interest rate of 3.5%, due May 2025.	<u>2,367,807</u>
Total Long-Term Debt	<u>9,262,601</u>
Less Current Portion of Long-Term Debt	<u>(1,340,073)</u>
Total Notes Payable	<u>\$7,922,528</u>

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Continued)

NOTE 5 - NOTES PAYABLE (Continued)

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

2014		\$1,340,073
2015		665,753
2016		657,696
2017		661,288
2018		712,018
Thereafter		5,225,773
		\$ 9,262,601

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, 2013 is as follows:

Beginning balance		\$ 815,577
Interest earned		0
Principal payments received		65,320
Interest payments received		17,573
Management fees		(2,500)
Loan Disbursements made		-
Administrative fees		(10,485)
Ending Escrow balance		885,485
Admin Escrow		-
Loans Pending		-
Available to lend		\$ 885,485

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013
(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 \$14,361 for the year ended December 31, 2013.

NOTE 10 – MISCELLANEOUS INCOME

During 2013, the Organization incurred expenses on several projects including InterMountain Electronics Project and several projects on behalf of the Lawrence County Community Action Organization. The incurred expenses were subsequently reimbursed by InterMounain Electronics Project and the Lawrence County Community Action Organization..

NOTE 11 – RESTATEMENT OF NET ASSETS

During the audit, it was noted that the corporation had overstated intergovernmental revenue during the audit period as ARRA revenue received and recognized in previous years were recognized again during the audit period. In prior years, corresponding expenses were recognized with the intergovernmental revenue instead of recording fixed assets for the industrial park which had no impact on net assets. The ARRA revenues previously mentioned and the fixed assets from those funds were recorded in 2013. The corporation overstated intergovernmental revenue by \$3,595,999. The following restatement was necessary as shown below:

	As previously reported	Restated
Federal and State Grants	\$5,170,263	\$1,574,264
Beginning Unrestricted Net Assets	\$23,675,881	\$27,271,880



Caudill & Associates, CPA

P.O.Box 751
South Shore, KY 41175

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, 2013, 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 16, 2014.

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.

Caudill & Associates, CPA

Caudill & Associates, CPA
June 16, 2014

This page intentionally left blank.



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
SEPTEMBER 16, 2014**