

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2003

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS



**Auditor of State
Betty Montgomery**

Board of Directors
Lawrence Economic Development Corporation
P. O. Box 488
South Point, Ohio 45680-0488

We have reviewed the *Independent Auditor's Report* of the Lawrence Economic Development Corporation, Lawrence County, prepared by R. D. Conley & Company, CPA, for the audit period January 1, 2003 through December 31, 2003. 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 cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

August 8, 2006

This Page is Intentionally Left Blank.

TABLE OF CONTENTS

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



R.D. Conley & Company
Certified Public Accountant

Roger D. Conley
Principal

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying statement of financial position of Lawrence Economic Development Corporation (a nonprofit organization) as of December 31, 2003, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion the financial statements referred to above present fairly, in all material respects, the financial position of Lawrence Economic Development Corporation as of December 31, 2003, 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*, I have also issued my report dated May 9, 2005, on my consideration of Lawrence Economic Development Corporation's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards on page 14 is presented for the purpose of additional analysis as required by "U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations" and is not a required part of the basic

financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read 'R.D. Conley & Company', with a stylized flourish at the end.

R.D. CONLEY & COMPANY
Certified Public Accountant

Flatwoods, Kentucky
May 9, 2005

FINANCIAL STATEMENTS

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2003

ASSETS

Current Assets	
Cash and cash equivalents	\$ 1,472,709
Loans receivable	133,146
Governmental grants receivable	63,451
Taxes receivables	24,330
	<hr/>
Total current assets	1,693,637
	<hr/>
Other Assets	
Plant, property and equipment, net of depreciation	11,673,933
	<hr/>
Total assets	\$ 13,367,570
	<hr/> <hr/>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 694,390
Accrued interest	885
Current portion - notes payable	367,316
	<hr/>
Total current liabilities	1,062,591
	<hr/>
Long-Term Liabilities	
Assets held in trust	206,076
Deferred revenue	101,403
Notes payable	3,728,792
	<hr/>
Total liabilities	5,098,862
	<hr/>
Net Assets	
Unrestricted	4,746,404
Temporarily restricted	3,522,305
Total net assets	8,268,709
	<hr/> <hr/>
Total liabilities and net assets	\$ 13,367,570
	<hr/> <hr/>

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

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2003

CHANGES IN UNRESTRICTED NET ASSETS

Revenues and gains:	
Donations	\$ 25,900
Interest income	4,452
Motel tax	55,658
Rental income	732,593
Program income	51,517
Miscellaneous	166,193
Total unrestricted revenues	<u>1,036,313</u>
Net assets released from restrictions:	
Satisfactions of program restrictions	293,178
Total unrestricted revenues and other support	<u>1,329,491</u>
Expenses:	
Convention and Visitor's Bureau	42,493
Procurement Outreach Center	182,802
Empowerment Zone Site Development	131,167
The Point	228,527
ODJFS Team Leader	50,634
ODJFS LO	21,779
Administrative and general	257,094
Total expenses before depreciation	<u>914,497</u>
Depreciation expense	217,962
Total expenses	<u>1,132,459</u>
Increase in unrestricted net assets	<u>197,032</u>

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted grant monies	823,178
Net assets released from restrictions	<u>(293,178)</u>
Decrease in temporarily restricted net assets	<u>530,000</u>
Increase in net assets	<u>727,032</u>

Net assets at beginning of year:

Unrestricted	4,549,371
Temporarily restricted	2,992,305
	<u>7,541,676</u>

Net assets at end of year:

Unrestricted	4,746,403
Temporarily restricted	3,522,305
	<u>\$ 8,268,708</u>

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

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	727,033
Plus: Depreciation		217,962
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in:		
Grants receivable		21,694
Taxes receivable		(18,894)
Other accounts receivable		(74,212)
Increase (decrease) in:		
Accounts payable		(134,725)
Accrued interest		(17,292)
Net cash provided by operating activities		<u>721,566</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of plant, property and equipment		<u>(67,876)</u>
Net cash used in investing activities		<u>(67,876)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issuance of long-term debt		500,000
Payments on debt		<u>(2,205,475)</u>
Net cash provided by financing activities		<u>(1,705,475)</u>

Net decrease in cash (1,051,785)

Cash and cash equivalents at December 31, 2002 2,524,494

Cash and cash equivalents at December 31, 2003 \$ 1,472,709

SUPPLEMENTAL:

Cash paid for interest	\$	<u>119,077</u>
------------------------	----	----------------

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

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2003

	Convention & Visitor's Bureau	Procurement Outreach Center	Empowerment Zone Site Development	The Point
	\$	\$	\$	\$
Personnel costs	24,043	90,161	-	85,524
Interest expense	-	-	-	-
Real estate taxes	-	-	-	39,877
Advertising and marketing	-	-	-	-
Supplies	746	1,748	-	1,100
Rent and utilities	6,527	18,403	17,930	39,805
Telephone expense	1,064	5,526	-	1,454
Operational	4,739	6,333	-	1,165
Postage	306	1,929	-	228
Janitor	313	1,272	-	1,110
Meetings	95	3,280	-	149
Travel	442	14,863	-	4,831
Miscellaneous	161	9,812	21882	8,720
Copies and faxes	271	4,364	-	1,174
Dues and subscriptions	146	7,820	-	16
Accounting and auditing services	1,644	943	-	1,318
Contractual	780	8,307	91,355	35,490
Printing	-	2,500	-	713
Equipment expense	657	2,129	-	5,600
Computer services	560	3,411	-	251
Total	\$ 42,493	\$ 182,802	\$ 131,167	\$ 228,527

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES (CONCLUDED)

FOR THE YEAR ENDED DECEMBER 31, 2003

	ODJFS Team Leader	ODJFS LO	Total Program Expenses	Administrative and General	Total Expenses
	\$	\$	\$	\$	\$
Personnel costs	31,244	17,118	248,091	66,831	314,922
Interest expense	-	-	-	119,077	119,077
Real estate taxes	-	-	39,877	-	39,877
Advertising and marketing	929	-	929	182	1,110
Supplies	3,730	178	7,503	779	8,282
Rent and utilities	3,304	2,170	88,140	565	88,705
Telephone expense	1,354	785	10,183	3,540	13,724
Operational	-	-	12,237	6,121	18,358
Postage	130	-	2,593	298	2,891
Janitor	1,073	160	3,927	454	4,381
Meetings	1,181	210	4,916	4,113	9,028
Travel	976	105	21,217	5,433	26,650
Miscellaneous	46	-	40,621	36,335	76,957
Copies and faxes	1,191	286	7,286	2,018	9,304
Dues and subscriptions	66	-	8,047	501	8,547
Accounting and auditing services	93	-	3,999	1,362	5,361
Contractual	406	406	136,743	312	137,055
Printing	333	-	3,546	1,356	4,902
Equipment expense	4,374	241	13,002	7,326	20,328
Computer services	204	119	4,546	491	5,037
Total	<u>\$ 50,634</u>	<u>\$ 21,779</u>	<u>\$ 657,403</u>	<u>\$ 257,094</u>	<u>\$ 914,497</u>

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

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Revenues

Revenues are recognized in the accompanying financial statements as follows:

A. Grants and Reimbursement Contracts

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

B. Hotel and Motel Taxes

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

C. Donations

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

D. In-Kind Contributions

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

Lawrence Economic Development Center	<u>\$ 3,802</u>
--------------------------------------	-----------------

E. Interest Income

Interest income is recognized in the accounting period when earned.

Cash and Cash Equivalents

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

Financial Statement Presentation

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

Property and Equipment

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

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

Income Tax

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

Cost Allocation

Joint costs are allocated to benefiting programs using various allocation methods, depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all agency programs, which cannot be readily identified with a final cost objective. Cost allocation methods are as follows:

Building

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

Insurance

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

Other Joint Costs

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

Expenses

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

Functional Allocation of Expenses

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

Estimates

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

Net Assets

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

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

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

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

(2) GOVERNMENTAL GRANTS RECEIVABLE

Grants receivable were collectible in one year and consisted of the following amounts at December 31, 2003:

<u>Program</u>	<u>Grant No.</u>	<u>Amount</u>
Procurement Outreach Center	N/A	\$ 35,121
Empowerment Zone	N/A	28,330
		<u>\$ 63,451</u>

(3) PROPERTY, PLANT & EQUIPMENT

Land, property and equipment at December 31, 2003, consisted of the following:

Land	\$ 4,029,913
Buildings & Improvements	8,634,344
Equipment	<u>12,094</u>
	12,676,351
Less: Accumulated Depreciation	<u>(1,002,418)</u>
Net Plant, Property & Equipment	<u>\$ 1,673,933</u>

(4) NOTES PAYABLE

As of December 31, 2003, notes payable consisted of the following:

Note payable to Ohio Department of Development, secured by real estate and building, bearing an interest rate of 3%, due September 2012	\$ 1,577,169
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.	1,848,079

Note payable to US Bank, secured by real estate and building, bearing an Interest rate of 6%, due June 2018	170,860
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% then after, due January 2018.	<u>500,000</u>
	4,096,108
Less: Current portion of long-term debt	<u>(367,316)</u>
	\$ 3,728,792

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

<u>Year</u>	
2004	\$ 367,316
2005	385,172
2006	391,195
2007	409,600
2008	422,993
Thereafter	<u>1,612,981</u>
	<u>\$ 3,595,460</u>

The Organization entered into two non-cancelable operating leases for automobiles in November 2001 that expire in September 2004. The lease requires the Organization to pay all sales taxes and license fees during the terms of the lease. Rental expenses consisted of \$6,939 during the year ended December 31, 2003.

Future minimum lease payments under the lease as of December 31, 2003 are:

<u>Year</u>	<u>Amount</u>
2003	<u>\$ 3,100</u>

(5) CONCENTRATIONS

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

(6) 166 REGIONAL LOAN PROGRAM

The Organization 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 provide assistance in making loans to companies in the service area who are in need of capital expansion funds. The program is managed by the organization and held in an escrow account on behalf of the Ohio Department of Development. Loan activity for the year ending December 31, 2003 is as follows:

Beginning balance	\$ 648,835
Interest earned	5,346
Principal payments received	51,315
Interest payments received	22,230
Management fees	(4,525)
Loan Disbursements made	-
Administrative fees	<u>(29,405)</u>
Ending Escrow balance	693,794
Admin Escrow	<u>-</u>
Available to lend	<u>\$ 693,794</u>

SUPPLEMENTAL INFORMATION

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2003

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>U.S. Department of Health & Human Services</u>			
Pass-through Program From:			
Lawrence County Jobs & Family Services			
TANF	93.558		72,413
Subtotal-U.S. Department of Health & Human Services			<u>72,413</u>
<u>U. S. Department of Defense:</u>			
Cost Sharing Cooperative Agreement	12.002		129,062
Subtotal-U.S. Department of Defense			<u>129,062</u>
<u>U.S. Department of Housing and Urban Development</u>			
Pass-through program from:			
Huntington, West Virginia--Ironton, Ohio Empowerment Zone, Inc.			
Empowerment Zone-Site Development Program	14.244		131,167
Subtotal-U.S. Department of Housing and Urban Development			<u>131,167</u>
TOTAL			<u><u>\$ 332,642</u></u>

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2003

(1) SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of the Organization's federal grant activities. The schedule has been prepared on the same basis of accounting as the basic financial statements, except that acquisition of fixed assets is expensed and volunteer services are recognized for federal award purposes.

COMPLIANCE AND INTERNAL CONTROL



R.D. Conley & Company
Certified Public Accountant

Roger D. Conley
Principal

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

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

I have audited the financial statements of Lawrence Economic Development Corporation (a nonprofit organization) as of and for the year ended December 31, 2003, and have issued my report thereon dated May 9, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Lawrence Economic Development Corporation's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, consisting of the letters 'R.D.' followed by a stylized cursive flourish, a plus sign, and another stylized cursive flourish.

R.D. CONLEY & COMPANY
Certified Public Accountant

Flatwoods, Kentucky
May 9, 2005



R.D. Conley & Company
Certified Public Accountant

Roger D. Conley
Principal

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

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

Compliance

I have audited the compliance of Lawrence Economic Development Corporation with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. Lawrence Economic Development Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lawrence Economic Development Corporation. My responsibility is to express an opinion on Lawrence Economic Development Corporation compliance based on my audit.

I conducted my audit of compliance in accordance with 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 I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lawrence Economic Development Corporation's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Lawrence Economic Development Corporation's compliance with those requirements.

In my opinion, Lawrence Economic Development Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

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

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

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

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



R.D. CONLEY & COMPANY
Certified Public Accountants

Flatwoods, Kentucky
May 9, 2005

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2003

A. SUMMARY OF AUDITORS' RESULTS

- 1) I have issued an unqualified opinion on the financial statements of Lawrence Economic Development Corporation.
- 2) The audit of the financial statements disclosed no internal control related reportable conditions.
- 3) The audit disclosed no instances of noncompliance which were material to the financial statements.
- 4) The audit disclosed no reportable conditions in internal control over major programs.
- 5) I issued an unqualified opinion on compliance for major programs.
- 6) The audit disclosed no findings relative to major federal awards programs.
- 7) The major program selected for compliance testing was the Procurement Outreach Center, CFDA #12.002.
- 8) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- 9) The auditee did qualify as a low risk auditee.

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

There were no findings in the current year.

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

There were no findings in the current year

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

THE YEAR ENDED DECEMBER 31, 2003

There were no findings in the prior year.

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED DECEMBER 31, 2003

There were no findings reported in the current year.

Auditee:	Contact Person	Bill Dingus, Executive Director
	Address	Lawrence Economic Development Corporation P.O. Box 488 South Point, Ohio 45680-0488
	Telephone	740-377-4550
	EIN Number	31-1075744

Auditor:	Contact person	Roger D. Conley
	Address	R.D. Conley and Company P.O. Box 990 Flatwoods, Kentucky 41139
	Telephone	606-834-8141
	EIN Number	31-1705260



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 22, 2006**