

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

LAWRENCE COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005

FISCAL YEAR AUDITED UNDER GAGAS: 2005

Caudill & Associates, CPA's

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



Mary Taylor, CPA
Auditor of State

January 8, 2007

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

Mary Taylor

MARY TAYLOR, CPA
Auditor of State

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**Auditor of State
Betty Montgomery**

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

We have reviewed the *Independent Auditor's Report* of the Lawrence Economic Development Corporation, Lawrence County, prepared by Caudill & Associates, CPAS, for the audit period January 1, 2005 through December 31, 2005. 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

December 21, 2006

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LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

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Caudill & Associates, CPA's

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Member American Institute of Certified Public Accountants

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

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

Independent Auditors' Report

We have audited the accompanying statement of financial position of the Lawrence Economic Development Corporation, (a nonprofit organization), as of December 31, 2005, the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Lawrence Economic Development Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lawrence Economic Development Corporation, as of December 31, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated October 16, 2006 on our consideration of the Lawrence Economic Development Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in assessing the results of our audit.

Lawrence Economic Development Corporation
Independent Auditors' Report

The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Caudill & Associates, CPA's

Caudill & Associates, CPA's
October 16, 2006

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2005

Assets:

Current Assets:

Cash		\$1,056,085
Receivables:		
Taxes		5,818
Loans		264,366
Grants		<u>2,117,896</u>
Total Current Assets		<u>3,444,165</u>

Long Term Assets:

Net Property, Plant & Equipment		<u>16,866,894</u>
Total assets		<u><u>\$20,311,059</u></u>

Liabilities and Net Assets:

Current Liabilities:

Accounts Payable and Accrued Expenses		\$108,720
Current Portion -Notes Payable		483,649
Deferred Income		<u>2,054,445</u>
Total Current Liabilities		2,646,814

Long-Term Notes Payable		<u>4,023,776</u>
Total Liabilities		<u>6,670,590</u>

Net Assets:

Unrestricted		8,072,853
Temporarily Restricted		<u>5,567,616</u>
Total Net Assets		<u>13,640,469</u>
Total Liabilities and Net Assets		<u><u>\$20,311,059</u></u>

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, 2005

Changes in Unrestricted Net Assets:	
Unrestricted Revenue:	
Donations	\$15,400
Interest Income	781
Motel Tax	38,566
Rental Income	843,896
Program Income	14,039
Miscellaneous	<u>475,490</u>
Total Unrestricted Revenue	1,388,172
Net Assets Released from Program Restrictions:	
Satisfaction of Program Restrictions	<u>1,479,264</u>
Total Unrestricted Revenue and Other Support	<u>2,867,436</u>
Expenses:	
Convention and Visitor's Bureau	49,851
Procurement Outreach Center	179,984
Empowerment Zone Site Development	72,365
The Point	198,414
General and Administrative	<u>226,432</u>
Total Expenses before Depreciation	727,046
Depreciation	<u>334,261</u>
Total Expenses	<u>1,061,307</u>
Increase in Unrestricted Net Assets	<u>1,806,129</u>
Changes in Temporarily Restricted Net Assets:	
Temporarily Restricted Grant Monies	2,811,096
Net Assets released from Restrictions	<u>(1,479,264)</u>
Increase in Temporarily Restricted Net Assets	<u>1,331,832</u>
Increase in Net Assets	<u>3,137,961</u>
Net Assets Beginning of Year	
Unrestricted	6,952,860
Temporarily Restricted	<u>3,549,648</u>
	10,502,508
Net Assets, End of Year	
Unrestricted	8,072,853
Temporarily Restricted	<u>5,567,616</u>
	<u>\$13,640,469</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, 2005

Cash Flows from Operating Activities:	
Change in net assets	\$ 3,137,961
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) Decrease in:	
Depreciation	334,261
Grants Receivable	1,431,762
Taxes Receivable	2,653
Loans Receivable	(152,786)
Increase (decrease) in:	
Accounts payable & accrued expenses	(302,255)
Deferred Revenue	<u>(1,431,762)</u>
Net cash provided by operating activities	<u>3,019,834</u>
Cash Flows from Investing Activities	
Purchase of plant, property and equipment	<u>(2,538,164)</u>
Net cash used in investing activities	<u>(2,538,164)</u>
Cash Flows from Financing Activities	
Payments on long-term debt	(1,076,802)
Proceeds from long-term debt	<u>1,337,646</u>
Net cash provided by financing activities	<u>260,844</u>
Net decrease in cash and cash equivalents	742,514
Cash at January 1, 2005	<u>313,571</u>
Cash at December 31, 2005	<u><u>\$ 1,056,085</u></u>
Supplemental Cash Flow Information	
Cash paid for interest	<u><u>\$ 161,194</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, 2005

	Convention & Visitor's Bureau	Procurement Outreach Center	Empowerment Zone Site Development	The Point	Total Program Expenses	Administrative and General	Total Expenses
Personnel	\$ 38,385	\$ 98,518	\$ -	\$ 78,588	\$ 215,491	\$ 48,983	\$ 264,474
Interest	-	-	-	1,252	1,252	159,942	161,194
Real Estate Taxes	-	-	-	35,202	35,202	-	35,202
Advertising and Marketing	997	-	-	1,000	1,997	550	2,547
Supplies	-	1,430	-	1,640	3,070	520	3,590
Rent and Utilities	6,979	18,275	19,297	47,576	92,127	-	92,127
Telephone Expense	1,496	5,469	-	2,115	9,080	3,175	12,255
Operational	249	4,000	-	2,909	7,158	1,182	8,340
Postage	-	2,018	-	1,051	3,069	582	3,651
Janitor	50	1,229	-	1,053	2,332	387	2,719
Meetings	-	5,375	-	526	5,901	2,716	8,617
Travel	-	23,668	-	280	23,948	3,279	27,227
Computer Services	-	888	-	469	1,357	734	2,091
Copies and Faxes	374	3,479	-	2,476	6,329	628	6,957
Dues and Subscriptions	299	3,817	-	125	4,241	151	4,392
Accounting and Auditing Services	349	3,000	-	1,463	4,812	1,475	6,287
Contractual	-	-	35,838	14,101	49,939	21,838	71,777
Printing	-	1,420	-	148	1,568	211	1,779
Equipment Expense	673	2,680	-	2,915	6,268	1,482	7,750
Miscellaneous	-	110	-	3,525	3,635	435	4,070
Total	\$ 49,851	\$ 175,376	\$ 55,135	\$ 198,414	\$ 478,776	\$ 248,270	\$ 727,046

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, 2005

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, 2005
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

Costs are allocated between management and general or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Lawrence Economic Development Corporation.

E. ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reporting of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates.

F. PROPERTY, PLANT & EQUIPMENT

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

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

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

G. INCOME TAXES

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

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. REVENUES

Revenues are recognized in the accompanying financial statements as follows:

1. Grants and Reimbursement Contracts

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

2. Hotel and Motel Taxes

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

3. Interest Income

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

4. Donations

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

I. CASH and CASH EQUIVALENTS

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

J. COST ALLOCATION

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

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(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 \$1,056,085 and the bank balance was \$1,059,491. Of the bank balance:

1. \$300,000 was covered by federal depository insurance.
2. \$759,491 was collateralized by securities held by the financial institution on the institution's name.

NOTE 3 – GOVERNMENTAL GRANTS RECEIVABLE

Grants Receivable were collectible in one year and consisted of the following amounts at December 31, 2005:

<u>Program</u>	<u>Grant No.</u>	<u>Amount</u>
The Point	N/A	\$265,941
Empowerment Zone	N/A	1,851,955
		<u>\$2,117,896</u>

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)

NOTE 4 - PROPERTY, PLANT & EQUIPMENT

The balance of property and equipment at December 31, 2005, consists of the following:

Land and Land Improvements	\$8,391,349
Buildings and Improvements	9,816,701
Machinery and Equipments	93,972
Vehicles	<u>28,478</u>
Total	18,330,500
Accumulated depreciation	<u>(1,463,606)</u>
Net	<u>\$16,866,894</u>

NOTE 5 - NOTES PAYABLE

Notes Payable at December 31, 2005 consists of the following:

Notes Payable to Ohio Department of Development, secured by real estate and building bearing an interest rate of 3% due September 2012	\$ 1,204,536
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	1,501,660
Note Payable US Bank, secured by real estate and building, bearing an interest rate of 6%, due 2018	155,338
Note Payable to Guarantee Bank and Trust, secured by real estate and a building Bearing an interest rate of 4.125%, due August 2020	93,394
Note Payable to Ohio River Bank, secured by real estate and building, bearing a variable interest rate of 3.88%, due 2019	316,418
Note Payable to Ohio River Bank, secured by real estate and building, bearing an interest rate of 4.75%, due June 2020.	1,218,134
Note Payable to GMAC, secured by a vehicle, bearing an interest rate of 8.24%, due November 2008	17,945
Total Long-Term Debt	<u>4,507,425</u>
Less Current Portion of Long-Term Debt	<u>(483,649)</u>
Total Notes Payable	<u>\$4,023,776</u>

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(Continued)

NOTE 5 - NOTES PAYABLE (Continued)

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

2005	\$	483,649
2006		500,006
2007		517,862
2008		531,667
2009		514,263
Thereafter		1,854,188
	\$	4,401,635

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, 2005 is as follows:

Beginning balance	\$	743,637
Interest earned		11,192
Principal payments received		63,914
Interest payments received		36,534
Management fees		(4,020)
Loan Disbursements made		-
Administrative fees		(37,452)
Ending Escrow balance		813,805
Admin Escrow		-
Available to lend	\$	813,805

Lawrence Economic Development Corporation
Lawrence County

Schedule of Federal Awards Expenditures
For the Year Ended December 31, 2005

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>United States Department of Commerce</u>			
Grants for Public Works and Economic Development Facilities	N/A	11.300	\$ 424,518
Subtotal U.S. Department of Commerce			<u>424,518</u>
<u>United States Department of Defense</u>			
Procurement Technical Assistance for Business Firms	N/A	12.002	<u>128,700</u>
Subtotal U.S. Department of Defense			<u>128,700</u>
<u>United States Department of Housing and Urban Development</u>			
Pass-through program from: Huntington, West Virginia -Ironton, Ohio Empowerment Zone, Inc. Empowerment Zone Site Development Program			
Empowerment Zones Program	N/A	14.244	<u>402,603</u>
Pass-through Ohio Department of Development			
Community Development Block Grants/Brownsfield Economic Development Initiative	N/A	14.246	<u>153,517</u>
Subtotal U.S. Department of Housing and Urban Development			<u>556,120</u>
Total Federal Financial Assistance			<u><u>\$ 1,109,338</u></u>

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

**LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2005**

NOTE A - - SIGNIFICANT ACCOUNTING POLICIES

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

Caudill & Associates, CPA's

188 James Hannah Drive, P.O. Box 680
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Kentucky Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited the financial statements of the Lawrence Economic Development Corporation, Lawrence County, as of and for the year ended December 31, 2005, and have issued our report thereon dated October 16, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lawrence Economic Development Corporation internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Corporation's ability to initiate, record, process, and report financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2005-001 through 2005-002.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lawrence Economic Development Corporation financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as item 2005-003.

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

Board of Directors

Lawrence Economic Development Corporation

South Point, Ohio 45680

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

Caudill & Associates, CPAs

Caudill & Associates, CPA's

October 16, 2006

Caudill & Associates, CPA's

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

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

Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Lawrence Economic Development Corporation with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2005. The Lawrence Economic Development Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the Lawrence Economic Development Corporation's management. Our responsibility is to express an opinion on the Lawrence Economic Development Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Lawrence Economic Development Corporation compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Lawrence Economic Development Corporation's compliance with those requirements.

In our opinion, the Lawrence Economic Development Corporation complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2005.

Internal Control over Compliance

The management of the Lawrence Economic Development Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Lawrence Economic Development Corporation internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Board of Directors
Lawrence Economic Development Corporation
Portsmouth, Ohio 45680

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

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

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

Caudill & Associates, CPA's

Caudill & Associates, CPA's
October 16, 2006

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

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY
DECEMBER 31, 2005

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Empowerment Zone Program Facilities CFDA #14.244
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY
DECEMBER 31, 2005

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

FINDING NUMBER 2005-001

Reportable Condition

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

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

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

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

Officials Response:

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

FINDING NUMBER 2005-002

Reportable Condition

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

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

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

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

Officials Response:

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

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

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY
DECEMBER 31, 2005
(Continued)

<p>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</p>

FINDING NUMBER 2005-003

Noncompliance Citation

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

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

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

Officials Response:

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

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY
DECEMBER 31, 2005

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

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

**LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005**

4. SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2004-001	Lack of Numbering System for Chart of Accounts and General Ledger resembles a for profit entity	No	Reissued, see finding 2005-001
2004-002	Numerous General Ledger Accounts	No	Reissued, see finding 2005-002
2004-003	ORC Section 1724.05 & 1724.06, Failing to file required annual report	No	Reissued, see finding 2005-003



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LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 11, 2007**