

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2001

TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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 and Company, for the audit period January 1, 2001 through December 31, 2001. 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, appearing to read "Jim Petro".

JIM PETRO
Auditor of State

November 26, 2002

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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, 2001, 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, 2001, 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 September 10, 2002, 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 13 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.

R.D. CONLEY & COMPANY
Certified Public Accountant

Ashland, Kentucky
September 10, 2002

FINANCIAL STATEMENTS

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2001

ASSETS

Current Assets	
Cash and cash equivalents	\$ 735,502
Accounts receivable	30,642
Governmental grants receivable	59,474
Deferred costs	22,370
Taxes receivables	<u>15,367</u>
Total current assets	<u>863,355</u>
Other Assets	
Plant, property and equipment, net of depreciation	<u>11,632,576</u>
Total assets	<u>\$ 12,495,931</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 851,964
Current portion - notes payable	<u>1,778,741</u>
Total current liabilities	<u>2,630,705</u>
Long-Term Liabilities	
Assets held in trust	241,516
Deferred revenue	100,000
Notes payable	<u>1,981,862</u>
Total liabilities	<u>4,954,083</u>
Net Assets	
Unrestricted	4,044,176
Temporarily restricted	<u>3,497,672</u>
Total net assets	<u>7,541,848</u>
Total liabilities and net assets	<u>\$ 12,495,931</u>

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, 2001

CHANGES IN UNRESTRICTED NET ASSETS

Revenues and gains:	
Donations	\$ 106,301
Interest income	8,123
Motel tax	47,546
Rental income	271,843
Program income	53,176
Miscellaneous	66,787
Total unrestricted revenues	<u>553,776</u>
Net assets released from restrictions:	
Satisfactions of program restrictions	<u>821,625</u>
Total unrestricted revenues and other support	<u>1,375,401</u>
Expenses:	
Convention and Visitor's Bureau	40,897
Southeastern Small Business Development Center	75,442
Procurement Outreach Center	150,557
Empowerment Zone Site Development	411,491
Empowerment Zone Jobs Creation	8,042
The Point	176,093
Administrative and general	415,936
Total expenses before depreciation	<u>1,278,458</u>
Depreciation expense	<u>149,167</u>
Total expenses	<u>1,427,625</u>
Increase in unrestricted net assets	<u>(52,224)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	
Temporarily restricted grant monies	2,329,555
Net assets released from restrictions	<u>(821,625)</u>
Increase in temporarily restricted net assets	<u>1,507,930</u>
Increase in net assets	<u>1,455,706</u>
Net assets at beginning of year:	
Unrestricted	4,096,400
Temporarily restricted	<u>1,989,742</u>
	<u>6,086,142</u>
Net assets at end of year:	
Unrestricted	4,044,176
Temporarily restricted	<u>3,497,672</u>
	<u>\$ 7,541,848</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, 2001

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,455,706
Plus: Depreciation	149,167
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in:	
Grants receivable	1,576,133
Taxes receivable	(3,060)
Loans receivable	2,478
Deferred costs	(22,370)
Other accounts receivable	(30,642)
Increase (decrease) in:	
Accounts payable	239,626
Accounts payable-Ashland, Inc.	(1,799,000)
Deferred revenue	28,144
Net cash provided by operating activities	<u>1,596,182</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of plant, property and equipment	<u>(2,294,568)</u>
Net cash used in investing activities	<u>(2,294,568)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from issuance of long-term debt	1,771,674
Payments on debt	<u>(1,857,078)</u>
Net cash provided by financing activities	<u>(85,404)</u>

Net decrease in cash (783,790)

Cash and cash equivalents at December 31, 2000 1,519,292

Cash and cash equivalents at December 31, 2001 \$ 735,502

SUPPLEMENTAL:

Cash paid for interest \$ 70,898

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, 2001

	Convention & Visitor's Bureau	SE Small Business Development Center	Procurement Outreach Center	Empowerment Zone Site Development	Empowerment Zone Jobs Creation	The Point
Personnel costs	\$ 28,281	\$ 46,898	\$ 59,811	\$ 956	\$ -	\$ 69,063
Interest expense	-	-	-	-	-	-
Grant subrecipient expenses	-	-	-	-	-	-
Real estate taxes	1,563	3,818	6,537	26,576	-	4,360
Advertising and marketing	116	(16)	66	300	8,042	697
Supplies	390	202	1,309	250	-	268
Rent and utilities	5,409	9	18,020	-	-	22,814
Telephone expense	1,708	2,621	9,062	-	-	2,551
Maintenance	155	2	4,616	-	-	29,529
Postage	801	299	1,640	-	-	451
Janitor	700	-	1,700	-	-	-
Meetings	79	1,628	3,378	9	-	975
Travel	220	3,081	10,770	-	-	1,981
Miscellaneous	(4,094)	11,609	11,960	352,191	-	15,548
Copies and faxes	694	1,914	3,829	363	-	1,242
Dues and subscriptions	253	470	8,222	-	-	3,947
Accounting and auditing services	3,985	2,375	2,375	-	-	-
Contractual	-	-	-	30,846	-	19,204
Printing	375	-	2,867	-	-	-
Equipment leases	125	-	980	-	-	3,047
Computer services	137	532	3,415	-	-	416
Total	<u>\$ 40,897</u>	<u>\$ 75,442</u>	<u>\$ 150,557</u>	<u>\$ 411,491</u>	<u>\$ 8,042</u>	<u>\$ 176,093</u>

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Total Program Expenses</u>	<u>Administrative and General</u>	<u>Total Expenses</u>
Personnel costs	\$ 205,009	\$ 105,981	\$ 310,990
Interest expense	-	20,581	20,581
Grant subrecipient expenses	-	94,972	94,972
Real estate taxes	42,854	7,839	50,693
Advertising and marketing	9,205	2,079	11,284
Supplies	2,419	1,114	3,533
Rent and utilities	46,252	9	46,262
Telephone expense	15,942	3,719	19,661
Maintenance	34,302	2,177	36,479
Postage	3,191	291	3,482
Janitor	2,400	3,571	5,971
Meetings	6,069	1,818	7,887
Travel	16,052	37,629	53,681
Miscellaneous	387,214	66,244	453,458
Copies and faxes	8,042	1,027	9,069
Dues and subscriptions	12,892	9,354	22,246
Accounting and auditing services	8,735	2,375	11,110
Contractual	50,050	48,320	98,370
Printing	3,242	98	3,340
Equipment leases	4,152	6,632	10,784
Computer services	4,500	106	4,606
Total	\$ 862,522	\$ 415,936	\$ 1,278,458

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2001

(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:

Southeastern Small Business Development Center	\$ 6,445
Lawrence Economic Development Center	<u>4,200</u>
	<u>\$ 10,645</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, 2001:

<u>Program</u>	<u>Grant No.</u>	<u>Amount</u>
Cost Sharing Cooperative Agreement	N/A	\$ 30,895
Empowerment Zone	EZ-99-WV-0015	<u>28,579</u>
		<u>\$ 59,474</u>

(3) PROPERTY, PLANT & EQUIPMENT

Land, property and equipment at December 31, 2001, consisted of the following:

Land	\$ 4,048,019
Work in Progress	2,293,768
Buildings & Improvements	5,919,303
Equipment	<u>6,389</u>
	12,267,479
Less: Accumulated Depreciation	<u>(634,903)</u>
Net Plant, Property & Equipment	<u>\$11,632,576</u>

(4) NOTES PAYABLE

As of December 31, 2001, 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	\$ 1,803,671
Note payable to National City Bank, secured by a mortgage, bearing an Interest rate of 8%, due June 2002	1,771,674

Note payable to U.S. Bank, N.A., secured by real estate and building, bearing an interest rate of 6%, due January, 2018	<u>185,258</u>
	3,760,603
Less: Current portion of long-term debt	<u>1,778,741</u>
	<u>\$ 1,981,862</u>

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

<u>Year</u>	
2002	\$ 1,778,741
2003	135,662
2004	205,115
2005	211,661
2006	218,421
Thereafter	<u>1,211,003</u>
	<u>\$ 3,760,603</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 \$7,627 during the year ended December 31, 2001.

Future minimum lease payments under the lease as of December 31, 2001 are:

<u>Year</u>	<u>Amount</u>
2002	<u>\$ 12,856</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 funds are maintained by the organization in an escrow account on behalf of the Ohio Department of Development. Loan activity for the year ending December 31, 2001 is as follows:

Beginning balance	\$ 993,467
Interest earned	21,619
Principal payments received	68,320
Interest payments received	23,928
Management fees	(2,238)

Loan Disbursements made	(500,000)
Administrative fees	<u>(14,717)</u>
Ending Escrow balance	590,380
Admin Escrow	<u>(6,385)</u>
Available to lend	<u>\$ 583,995</u>

(7) SUBSEQUENT EVENT

Subsequent to December 31, 2000 the Organization became involved in litigation with a local business concerning the lease of certain river front property owned by the Organization to the plaintiff's competitor. It is the opinion of management's counsel that the suit is without merit and the Organization has adequate insurance to cover any adverse outcome.

SUPPLEMENTAL INFORMATION

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2001

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>U.S. Small Business Administration:</u>			
Pass-through Program From:			
Ohio State Department of Development			
Small Business Development Center Program	59.037		\$ 82,087
Subtotal-U.S. Small Business Administration			<u>82,087</u>
<u>U. S. Department of Defense:</u>			
Cost Sharing Cooperative Agreement	12.002		150,757
Subtotal-U.S. Department of Defense			<u>150,757</u>
<u>U.S. Department of Housing and Urban Development</u>			
Pass-through program from:			
Ohio Department of Development			
Small Cities Community Development Block Grant	14.219		500,000
Huntington, West Virginia--Ironton, Ohio Empowerment Zone, Inc.			
Empowerment Zone-Site Development Program	14.244		2,219,811
Empowerment Zone-Jobs Creation Program	14.244		8,042
Subtotal-U.S. Department of Housing and Urban Development			<u>2,727,853</u>
TOTAL			<u>\$ 2,960,697</u>

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2001

(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

**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, 2001, and have issued my report thereon dated September 10, 2002. 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.

R.D. CONLEY & COMPANY
Certified Public Accountant

Ashland, Kentucky
September 10, 2002

**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, 2001. 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, 2001.

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

Ashland, Kentucky
September 10, 2002

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2001

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 programs selected for compliance testing was the Small Cities Community Development Block Grant CFDA #14.219, and the Empowerment Zone CFDA #14.244.
- 8) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- 9) The auditee did not 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, 2001

00-1 **Condition:** The Treasurer of Lawrence Economic Development Corporation handles all the duties of cash transactions creating a serious lack of segregation of duties.

Criteria: Under a desirable internal control structure, the origination and completion of a single transaction should never be under the control of the same individual.

Recommendation: I recommend use of the bookkeeper and the director to create more segregation of duties.

Current Status: This finding has been resolved

00-2 **Small Business Development**
Center Program – CFDA No. 59.037

Cost Sharing Cooperative Agreement –
CFDA No. 12.002

Empowerment Zone-Site Development Program –
CFDA No. 14.244

Condition: The Organization’s in-kind and matching contributions are not properly recorded in the Organization’s general ledger.

Criteria: OMB Circular A-110 Section 23(a), States, “All contributions, including cash and third party in-kind, shall be accepted as part of the recipients cost sharing or matching when such contributions (1) are verifiable from the recipient’s records (2) are not included as contributions for any other federally-assisted project or program and (3) are necessary and reasonable for proper and efficient accomplishment of project or program objectives.

Recommendation: I recommend that the Organization record all cash and third party in-kind contributions in its books of accounts on a monthly basis.

Current Status: This finding has been resolved

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED DECEMBER 31, 2001

There were no findings reported in the current year.

Auditee:	Contact Person	Patricia Clonch, 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 1401 Winchester Avenue, Suite 604 Ashland, Kentucky 41101
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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
DECEMBER 10, 2002**