

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

LAWRENCE COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006

FISCAL YEAR AUDITED UNDER GAGAS: 2006

Caudill & Associates, CPA's

725 5th Street

Portsmouth, OH 45662



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Lawrence Economic Development Corporation, Lawrence County, prepared by Caudill & Associates, CPAS, for the audit period January 1, 2006 through December 31, 2006. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 19, 2007

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LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

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Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

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, 2006, 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, 2006, and the changes in its net assets, functional expenses 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 July 16, 2007 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 expenditures of federal awards 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
July 16, 2007

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2006

Assets:

Current Assets:

Cash	\$1,694,507
Receivables:	
Taxes	6,318
Accounts	164,246
Grants	1,257,729
Inventory	54,792
Total Current Assets	<u>3,177,592</u>

Long Term Assets:

Net Property, Plant & Equipment	<u>16,890,698</u>
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Total assets	<u>\$20,068,290</u>
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Liabilities and Net Assets:

Current Liabilities:

Accounts Payable and Accrued Expenses	\$96,477
Current Portion -Notes Payable	497,999
Deferred Income	1,194,278
Total Current Liabilities	<u>1,788,754</u>

Long-Term Notes Payable	<u>3,522,169</u>
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Total Liabilities	<u>5,310,923</u>
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Net Assets:

Unrestricted	7,779,584
Temporarily Restricted	<u>6,977,783</u>

Total Net Assets	<u>14,757,367</u>
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Total Liabilities and Net Assets	<u>\$20,068,290</u>
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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, 2006

Changes in Unrestricted Net Assets:	
Unrestricted Revenue:	
Donations	\$16,437
Interest Income	37,237
Motel Tax	49,287
Rental Income	900,130
Program Income	15,754
Miscellaneous	<u>318,202</u>
Total Unrestricted Revenue	<u>1,337,047</u>
Net Assets Released from Program Restrictions:	
Satisfaction of Program Restrictions	<u>1,210,168</u>
Total Unrestricted Revenue and Other Support	<u><u>2,547,215</u></u>
Expenses:	
Convention and Visitor's Bureau	39,683
Procurement Outreach Center	198,821
Empowerment Zone Site Development	73,652
The Point	222,979
General and Administrative	<u>642,286</u>
Total Expenses before Depreciation	<u>1,177,421</u>
Depreciation	<u>541,662</u>
Total Expenses	<u><u>1,719,083</u></u>
Increase in Unrestricted Net Assets	<u>828,132</u>
Changes in Temporarily Restricted Net Assets:	
Temporarily Restricted Grant Monies	1,498,934
Net Assets released from Restrictions	<u>(1,210,168)</u>
Increase in Temporarily Restricted Net Assets	<u><u>288,766</u></u>
Increase in Net Assets	<u><u>1,116,898</u></u>
Net Assets Beginning of Year	
Unrestricted	8,072,853
Temporarily Restricted	<u>5,567,616</u>
	13,640,469
Net Assets, End of Year	
Unrestricted	7,779,584
Temporarily Restricted	<u>6,977,783</u>
	<u><u>\$14,757,367</u></u>

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

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

Cash Flows from Operating Activities:	
Change in net assets	\$ 1,116,898
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) Decrease in:	
Depreciation	541,662
Gain on Sale of Assets	156,051
Grants Receivable	860,167
Taxes Receivable	(500)
Accounts Receivable	(164,246)
Loans Receivable	264,366
Inventory	(54,792)
Increase (decrease) in:	
Accounts payable & accrued expenses	(12,243)
Deferred Revenue	<u>(860,167)</u>
Net cash provided by operating activities	<u>1,847,196</u>
Cash Flows from Investing Activities	
Sale of Assets	2,218,055
Purchase of plant, property and equipment	<u>(2,940,010)</u>
Net cash used in investing activities	<u>(721,955)</u>
Cash Flows from Financing Activities	
Payments on long-term debt	(986,819)
Proceeds from long-term debt	<u>500,000</u>
Net cash used in financing activities	<u>(486,819)</u>
Net increase in cash and cash equivalents	638,422
Cash at January 1, 2006	<u>1,056,085</u>
Cash at December 31, 2006	<u><u>\$ 1,694,507</u></u>
Supplemental Cash Flow Information	
Cash paid for interest	<u><u>\$ 159,941</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, 2006

	Convention & Visitor's Bureau	Procurement Outreach Center	Empowerment Zone Site Development	The Point	Total Program Expenses	Administrative and General	Total Expenses
Personnel	\$ 20,611	\$ 98,236	\$ -	\$ 121,810	\$ 240,657	\$ 85,673	\$ 326,330
Interest	-			1,017	1,017	159,941	160,958
Real Estate Taxes	-			39,529	39,529	-	39,529
Advertising and Marketing	961	152		302	1,415	69,960	71,375
Supplies	617	5,829		1,827	8,273	2,030	10,303
Rent and Utilities	7,438	20,073	20,417	44,230	92,158	-	92,158
Telephone Expense	879	5,396		5,316	11,591	5,540	17,131
Operational	1,083	4,625		-	5,708	134,205	139,913
Postage	342	417		1,033	1,792	590	2,382
Janitor	316	1,204		987	2,507	495	3,002
Meetings	43	2,854		-	2,897	-	2,897
Travel	1,227	17,990		3,280	22,497	27,065	49,562
Computer Services	155	-		570	725	-	725
Copies and Faxes	338	1,442		1,300	3,080	2,030	5,110
Dues and Subscriptions	180	8,310		-	8,490	640	9,130
Accounting and Auditing Services	4,152	5,223		1,778	11,153	6,120	17,273
Contractual	-		53,235	-	53,235	38,190	91,425
Printing	-	895		-	895	2,030	2,925
Equipment Expense	573	4,760		-	5,333	18,560	23,893
Miscellaneous	768	21,415		-	22,183	89,217	111,400
Total	\$ 39,683	\$ 198,821	\$ 73,652	\$ 222,979	\$ 535,135	\$ 642,286	\$ 1,177,421

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, 2006

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, 2006
(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, 2006
(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, 2006
(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 \$1,694,507 and the bank balance was \$1,733,998. Of the bank balance:

1. \$235,695 was covered by federal depository insurance.
2. \$1,498,303 was collateralized by securities held by the financial institution on the institution's name.

NOTE 3 – GOVERNMENTAL GRANTS RECEIVABLE

Grants Receivable are considered collectible in one year and consisted of the following amounts at December 31, 2006:

Program	Grant No.	Amount
Empowerment Zone	N/A	\$1,257,729
		\$1,257,729

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)

NOTE 4 - PROPERTY, PLANT & EQUIPMENT

The balance of property and equipment at December 31, 2006, consists of the following:

Land and Land Improvements	\$8,457,020
Buildings and Improvements	9,975,346
Machinery and Equipments	133,285
Vehicles	<u>31,428</u>
Total	18,597,079
Accumulated depreciation	<u>(1,706,381)</u>
Net	<u>\$16,890,698</u>

NOTE 5 - NOTES PAYABLE

Notes Payable at December 31, 2006 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	\$ 1,009,671
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	1,310,148
Note Payable US Bank, secured by real estate and building, bearing an interest rate of 6%, due 2018	145,738
Note Payable to Guarantee Bank and Trust, secured by real estate and a building Bearing an interest rate of 4.125%, due August 2020	93,008
Note Payable to Ohio River Bank, secured by real estate and building, bearing a variable interest rate of 3.88%, due 2019	295,902
Note Payable to Ohio River Bank, secured by real estate and building, bearing an interest rate of 4.75%, due June 2020.	1,154,247
Note Payable to GMAC, secured by a vehicle, bearing an interest rate of 8.24%, due November 2008	11,454
Total Long-Term Debt	<u>4,020,168</u>
Less Current Portion of Long-Term Debt	<u>(497,999)</u>
Total Notes Payable	<u>\$3,522,169</u>

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006
(Continued)

NOTE 5 - NOTES PAYABLE (Continued)

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

2007	\$	497,999
2008		515,330
2009		529,658
2010		512,253
2011		474,091
Thereafter		1,490,837
	\$	4,020,168

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, 2006 is as follows:

Beginning balance	\$	813,805
Interest earned		38,288
Principal payments received		58,157
Interest payments received		14,640
Management fees		(4,452)
Loan Disbursements made		-
Administrative fees		(17,168)
Ending Escrow balance		903,270
Admin Escrow		(3,939)
Available to lend	\$	899,331

Lawrence Economic Development Corporation
Lawrence County

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2006

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>United States Department of Defense</u>			
Procurement Technical Assistance for Business Firms	N/A	12.002	<u>138,771</u>
Subtotal U.S. Department of Defense			<u>138,771</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>608,929</u>
Pass-through Ohio Department of Development			
Community Development Block Grants/Brownsfield Economic Development Initiative	N/A	14.246	<u>201,243</u>
Subtotal U.S. Department of Housing and Urban Development	N/A		<u>810,172</u>
Total Federal Financial Assistance			<u><u>\$ 948,943</u></u>

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

**LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE A - - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards 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
725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
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, 2006, and have issued our report thereon dated July 16, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lawrence Economic Development Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lawrence Economic Development Corporation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Lawrence Economic Development Corporation's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Lawrence Economic Development Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Lawrence Economic Development Corporation's internal control. We consider the deficiencies describe in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting. Significant deficiencies are described in the accompanying Schedule of Findings and Questioned Costs as items 2006-001, 2006-002 and 2006-003.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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*

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lawrence Economic Development Corporation's 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Lawrence Economic Development Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We didn't audit Lawrence Economic Development Corporation's response and, accordingly, we express no opinion on it.

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, CPA's
July 16, 2007

Caudill & Associates, CPA's
725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

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, 2006. 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, 2006.

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's 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lawrence Economic Development Corporation's internal control over compliance.

Board of Directors
Lawrence Economic Development Corporation
South Point, 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

A control deficiency in an entity's internal control over compliance exists when the design or operating of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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
July 16, 2007

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

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY
DECEMBER 31, 2006

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)?	No
(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 significant deficiencies 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, 2006

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

FINDING NUMBER 2006-001

Significant Deficiency:

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 made corrections beginning in calendar year 2007.

FINDING NUMBER 2006-002

Significant Deficiency:

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 made corrections beginning in 2007.

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

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY
DECEMBER 31, 2006

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

FINDING NUMBER 2006-003

Significant Deficiency:

During the audit, several adjusting entries were proposed to management due to the incorrect recording of fixed asset additions, deletions, receivables and deferred revenue. Fixed asset additions and deletions had not been properly recorded, several material fixed asset additions regarding the industrial park had been expensed instead of properly capitalized and the incorrect recording of receivables and deferred revenue were noted during the audit.

By not properly recording fixed asset additions, deletions, receivables, deferred revenue and any other element of the Corporation's Accounting System, an opportunity exist for the financial statements to be materially misstated.

We recommend that the Corporation properly record all activities in the accounting system and hire an accounting consult knowledgeable in not for profit accounting if expertise is needed regarding events that potentially need recorded in the books of the Corporation.

Officials Response:

The Corporation is working to correct this issue.

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION
LAWRENCE COUNTY
DECEMBER 31, 2006

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, 2006**

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
2005-001	Lack of Numbering System for Chart of Accounts and General Ledger resembles a for profit entity	No	Reissued, see finding 2006-001
2005-002	Numerous General Ledger Accounts	No	Reissued, see finding 2006-002
2005-003	ORC Section 1724.05 & 1724.06, Failing to file required annual report	Yes	N/A



Mary Taylor, CPA
Auditor of State

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

LAWRENCE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 8, 2007