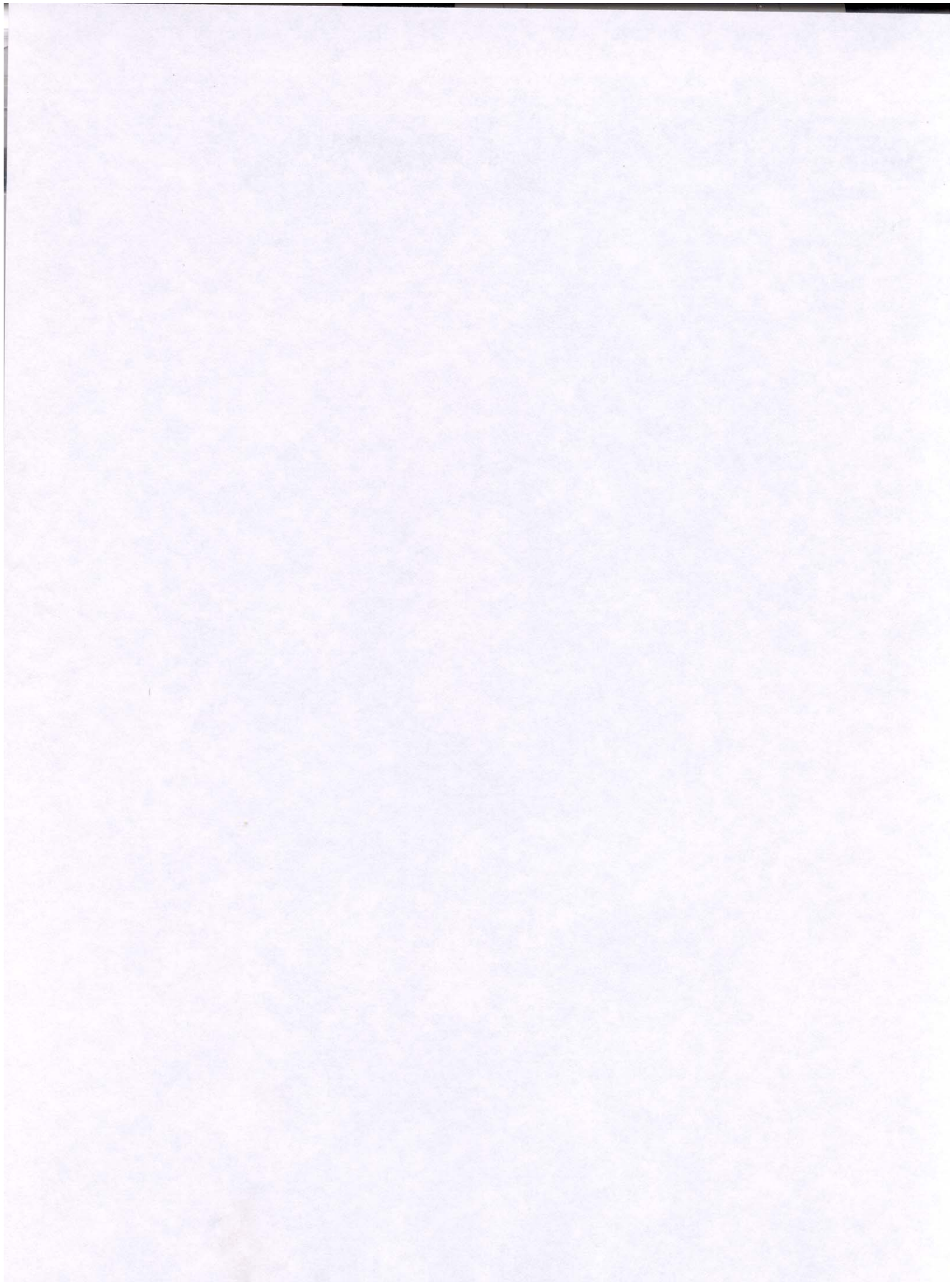


**LAWRENCE ECONOMIC DEVELOPMENT CORPORATION**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2002**

**TOGETHER WITH INDEPENDENT AUDITOR'S REPORTS**





**Auditor of State  
Betty Montgomery**

Board of Directors  
Lawrence Economic Development Corporation  
PO 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, 2002 to December 31, 2002. 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

June 7, 2004

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## TABLE OF CONTENTS

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

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**FINANCIAL STATEMENTS**

# O CONGHALAIGH

R.D. Conley & Company  
Certified Public Accountant

Roger D. Conley, CPA  
Principal

## INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying statement of financial position of Lawrence Economic Development Corporation (a nonprofit organization) as of December 31, 2002, 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.

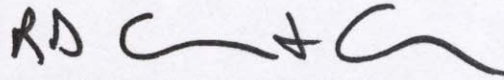
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and 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, 2002, 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 June 13, 2003, on my consideration of Lawrence Economic Development Corporation's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

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

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

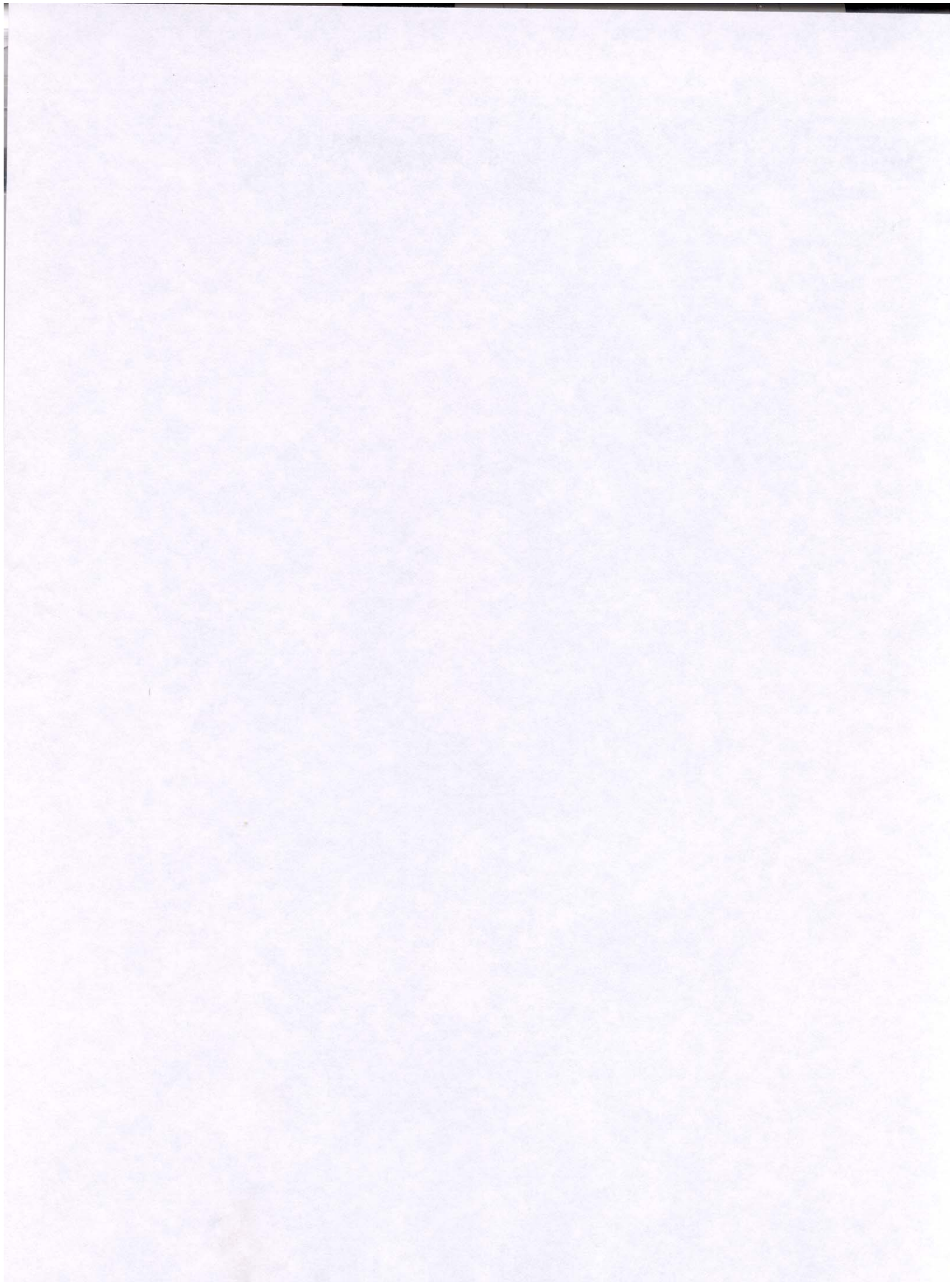
A handwritten signature in black ink, appearing to read "RD Conley". The signature is stylized with a large "RD" and a cursive "Conley".

R.D. CONLEY & COMPANY  
Certified Public Accountant

Ashland, Kentucky  
June 13, 2003



**FINANCIAL STATEMENTS**



LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2002

ASSETS

Current Assets	
Cash and cash equivalents	\$ 2,524,494
Accounts receivable	58,934
Governmental grants receivable	85,145
Taxes receivables	<u>5,436</u>
Total current assets	<u>2,674,009</u>
Other Assets	
Plant, property and equipment, net of depreciation	<u>11,826,827</u>
Total assets	<u><u>\$ 14,500,836</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 829,115
Accrued interest	18,177
Current portion - notes payable	<u>2,189,122</u>
Total current liabilities	<u>3,036,414</u>
Long-Term Liabilities	
Assets held in trust	227,881
Deferred revenue	100,000
Notes payable	<u>3,594,865</u>
Total liabilities	<u>6,959,160</u>
Net Assets	
Unrestricted	4,549,371
Temporarily restricted	<u>2,992,305</u>
Total net assets	<u>7,541,676</u>
Total liabilities and net assets	<u><u>\$ 14,500,836</u></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, 2002

CHANGES IN UNRESTRICTED NET ASSETS

Revenues and gains:	
Donations	\$ 67,825
Interest income	2,535
Motel tax	46,512
Rental income	282,542
Program income	18,164
Gain on sale of asset	48,429
Miscellaneous	153,775
Total unrestricted revenues	<u>619,782</u>
Net assets released from restrictions:	
Satisfactions of program restrictions	<u>1,009,387</u>
Total unrestricted revenues and other support	<u>1,629,169</u>
Expenses:	
Convention and Visitor's Bureau	43,079
Southeastern Small Business Development Center	10
Procurement Outreach Center	180,099
Empowerment Zone Site Development	190,163
The Point	446,368
ODJFS Team Leader	34,162
ODJFS LO	22,827
Administrative and general	150,200
Total expenses before depreciation	<u>1,066,908</u>
Depreciation expense	149,486
Total expenses	<u>1,216,394</u>
Increase in unrestricted net assets	<u>412,775</u>

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted grant monies	504,020
Net assets released from restrictions	<u>(1,009,387)</u>
Decrease in temporarily restricted net assets	<u>(505,367)</u>
Decrease in net assets	<u>(92,592)</u>
Net assets at beginning of year:	
Unrestricted	4,044,176
Temporarily restricted	<u>3,497,672</u>
	<u>7,541,848</u>
Prior period adjustment:	
Unrestricted	<u>92,420</u>
Net assets at beginning of year after adjustment:	
Unrestricted	4,136,596
Temporarily restricted	<u>3,497,672</u>
	<u>7,634,268</u>
Net assets at end of year:	
Unrestricted	4,549,371
Temporarily restricted	<u>2,992,305</u>
	<u>\$ 7,541,676</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, 2002

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (92,592)
Plus: Depreciation	149,486
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in:	
Grants receivable	(25,674)
Taxes receivable	9,931
Deferred costs	22,370
Other accounts receivable	(23,753)
Increase (decrease) in:	
Accounts payable	(22,849)
Accrued interest	18,177
Net cash provided by operating activities	<u>35,096</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of plant, property and equipment	(361,909)
Net cash used in investing activities	<u>(361,909)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from issuance of long-term debt	2,122,786
Payments on debt	(6,981)
Net cash provided by financing activities	<u>2,115,805</u>

Net increase in cash 1,788,992

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

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

**SUPPLEMENTAL:**

Cash paid for interest \$ 149,504

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, 2002

	Convention & Visitor's Bureau	SE Small Business Development Center	Procurement Outreach Center	Empowerment Zone Site Development	The Point
Personnel costs	\$ 24,336	-	\$ 110,440	-	\$ 57,239
Interest expense	-	-	-	-	-
Real estate taxes	-	-	-	-	70,803
Advertising and marketing	460	-	-	-	-
Supplies	857	-	1,333	-	2,249
Rent and utilities	5,107	-	18,091	49,257	33,610
Telephone expense	1,124	-	9,469	-	3,306
Maintenance	136	-	166	-	1,124
Postage	518	-	3,894	-	416
Janitor	329	-	878	-	974
Meetings	124	-	615	-	509
Travel	22	-	10,736	-	1,329
Miscellaneous	3,316	10	6,488	23,545	62,096
Copies and faxes	294	-	3,781	-	1,516
Dues and subscriptions	194	-	6,343	-	86
Accounting and auditing services	5,001	-	4,867	-	4,867
Contractual	50	-	210	117,361	200,074
Printing	894	-	952	-	894
Equipment leases	-	-	1,478	-	4,657
Computer services	317	-	358	-	619
Total	\$ 43,079	\$ 10	\$ 180,099	\$ 190,163	\$ 446,368

**LAWRENCE ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)**

**FOR THE YEAR ENDED DECEMBER 31, 2002**

	ODJFS Team Leader	ODJFS LO	Total Program Expenses	Administrative and General	Total Expenses
Personnel costs	\$ 22,061	\$ 5,519	\$ 219,595	\$ 80,024	\$ 299,619
Interest expense	-	-	-	11,110	11,110
Real estate taxes	-	-	70,803	3,586	74,389
Advertising and marketing	-	-	460	1,663	2,123
Supplies	633	-	5,072	1,996	7,068
Rent and utilities	1,475	250	107,790	28	107,818
Telephone expense	1,099	125	15,123	4,826	19,949
Maintenance	-	-	1,426	455	1,881
Postage	426	-	5,254	543	5,797
Janitor	328	-	2,509	337	2,846
Meetings	47	-	1,295	3,633	4,928
Travel	1,828	-	13,915	9	13,924
Miscellaneous	3,233	15,133	113,821	27,642	141,463
Copies and faxes	579	-	6,170	1,559	7,729
Dues and subscriptions	8	-	6,631	566	7,197
Accounting and auditing services	1,800	1,800	18,335	4,867	23,202
Contractual	27	-	317,722	1,612	319,334
Printing	51	-	2,791	1,046	3,837
Equipment leases	501	-	6,636	4,060	10,696
Computer services	66	-	1,360	638	1,998
Total	<u>\$ 34,162</u>	<u>\$ 22,827</u>	<u>\$ 916,708</u>	<u>\$ 150,200</u>	<u>\$ 1,066,908</u>

LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization**

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

**Revenues**

Revenues are recognized in the accompanying financial statements as follows:

A. Grants and Reimbursement Contracts

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

B. Hotel and Motel Taxes

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

C. Donations

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

D. In-Kind Contributions

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

Lawrence Economic Development Center

\$ 7,068



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, 2002:

<u>Program</u>	<u>Grant No.</u>	<u>Amount</u>
Empowerment Zone	N/A	\$ 6,284
LCDJFS Team Leader	N/A	29,797
LCDJFS Liason Officer	N/A	12,843
LCDJFS Job Creation/Park Manager Salary	N/A	4,328
Economic Development	ECDD 01-008	<u>31,893</u>
		<u>\$ 85,145</u>

**(3) PROPERTY, PLANT & EQUIPMENT**

Land, property and equipment at December 31, 2002, consisted of the following:

Land	\$ 4,029,913
Work in Progress	2,649,972
Buildings & Improvements	5,919,303
Equipment	<u>12,095</u>
	12,611,283
Less: Accumulated Depreciation	<u>(784,456)</u>
Net Plant, Property & Equipment	<u>\$11,826,827</u>

**(4) NOTES PAYABLE**

As of December 31, 2002, 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	\$ 1,711,251
---	--------------

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.	2,000,000
Note payable to National City Bank, secured by a mortgage, bearing an Interest rate of 8%, due June 2002	1,894,460
Note payable to U.S. Bank, N.A., secured by real estate and building, bearing an interest rate of 6%, due January, 2018	<u>178,277</u>
	5,783,988
Less: Current portion of long-term debt	<u>2,189,123</u>
	<u>\$ 3,594,865</u>

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

<u>Year</u>	
2003	\$ 2,189,122
2004	367,316
2005	380,565
2006	394,304
2007	408,554
Thereafter	<u>2,044,127</u>
	<u>\$ 5,783,988</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 \$12,856 during the year ended December 31, 2002.

Future minimum lease payments under the lease as of December 31, 2002 are:

<u>Year</u>	<u>Amount</u>
2003	<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

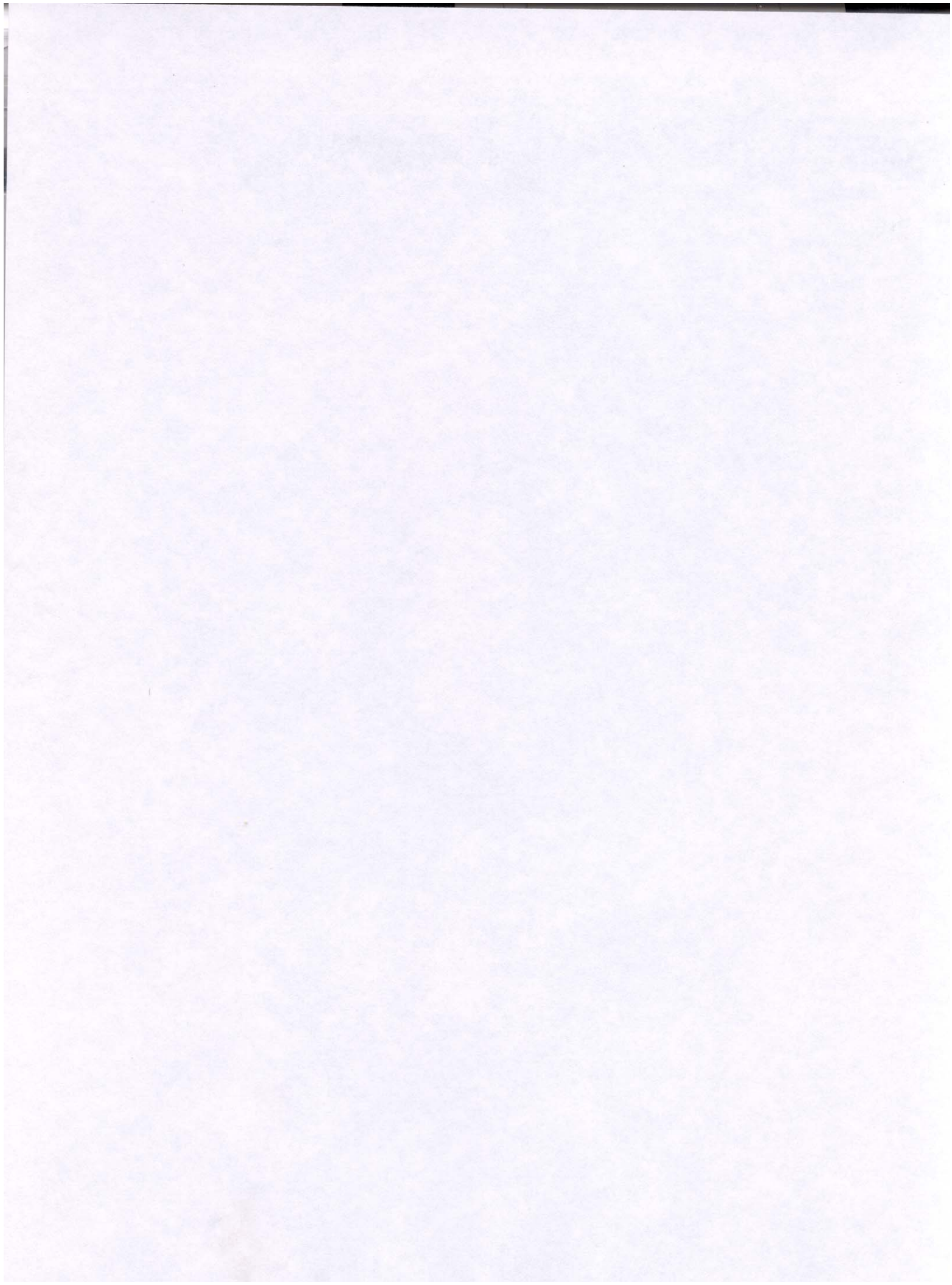
expansion funds. The funds are maintained by the organization in an escrow account on behalf of the Ohio Department of Development. Loan activity for the year ending December 31, 2002 is as follows:

Beginning balance	\$ 590,380
Interest earned	9,251
Principal payments received	49,297
Interest payments received	24,248
Management fees	(4,196)
Loan Disbursements made	-
Administrative fees	<u>(20,143)</u>
Ending Escrow balance	648,837
Admin Escrow	<u>-</u>
Available to lend	<u>\$ 648,837</u>

**(7) PRIOR PERIOD ADJUSTMENT**

The Ohio Department of Development discovered that a payment made by Cabletron was made in prior years to the organization's loan with them of \$92,420. After discovering the payment the Ohio Department of Development adjusted the loan balance to reflect the payment. Accordingly beginning net assets and the corresponding loan have been adjusted to reflect this payment.

**SUPPLEMENTAL INFORMATION**



LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2002

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<b><u>U.S. Department of Health &amp; Human Services</u></b>			
Pass-through Program From:			
Lawrence County Jobs & Family Services			
TANF	93.558		56,989
Subtotal-U.S. Department of Health & Human Services			<u>56,989</u>
<b><u>U. S. Department of Defense:</u></b>			
Cost Sharing Cooperative Agreement	12.002		180,099
Subtotal-U.S. Department of Defense			<u>180,099</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Pass-through program from:			
Huntington, West Virginia--Ironton, Ohio Empowerment Zone, Inc.			
Empowerment Zone-Site Development Program	14.244		190,163
Subtotal-U.S. Department of Housing and Urban Development			<u>190,163</u>
<b>TOTAL</b>			<u>\$ 427,251</u>



**LAWRENCE ECONOMIC DEVELOPMENT CORPORATION**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED DECEMBER 31, 2002**

**(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**

# O CONGHALAIGH

R.D. Conley & Company  
Certified Public Accountant

Roger D. Conley, CPA  
Principal

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

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

I have audited the financial statements of Lawrence Economic Development Corporation (a nonprofit organization) as of and for the year ended December 31, 2002, and have issued my report thereon dated June 13, 2003. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

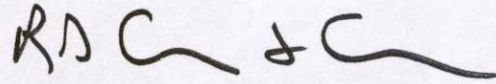
### **Compliance**

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

### **Internal Control Over Financial Reporting**

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

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

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

R.D. CONLEY & COMPANY  
Certified Public Accountant

Ashland, Kentucky  
June 13, 2003

# O CONGHALAIGH

R.D. Conley & Company  
Certified Public Accountant

Roger D. Conley, CPA  
Principal

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

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

### Compliance

I have audited the compliance of Lawrence Economic Development Corporation with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2002. 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, 2002.

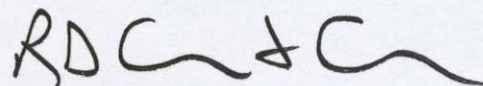
### Internal Control Over Compliance

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  
June 13, 2003

**LAWRENCE ECONOMIC DEVELOPMENT CORPORATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED DECEMBER 31, 2002**

**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 were the Empowerment Zone, CFDA #14.244, and TANF, CFDA #93.558.
- 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, 2002**

There were no findings in the prior year.



LAWRENCE ECONOMIC DEVELOPMENT CORPORATION

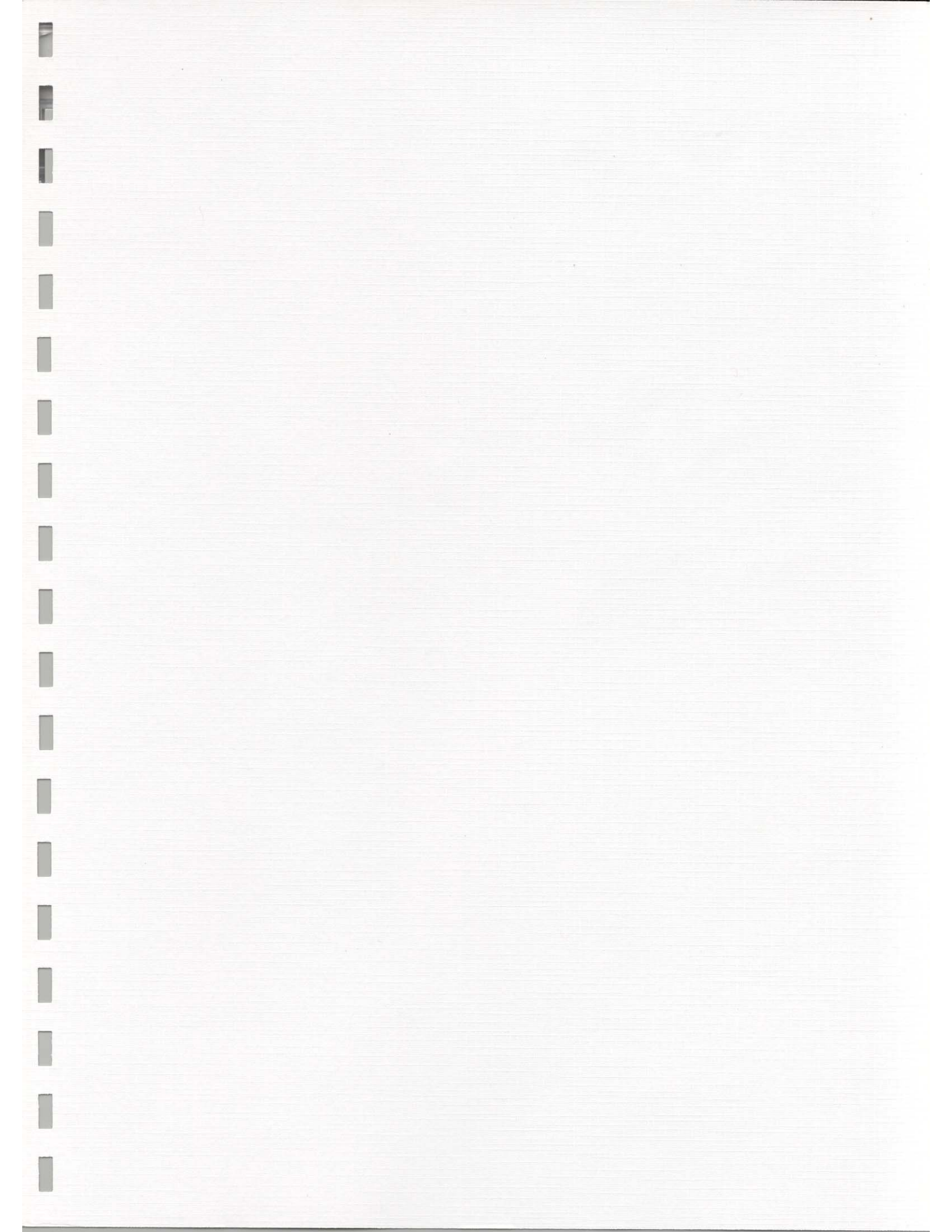
CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED DECEMBER 31, 2002

There were no findings reported in the current year.

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

<b>Auditor:</b>	Contact person	Roger D. Conley
	Address	R.D. Conley and Company 1401 Winchester Avenue, Suite 604 Ashland, Kentucky 41101
	Telephone	606-325-1064
	EIN Number	31-1705260





**Auditor of State  
Betty Montgomery**

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

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**LAWRENCE ECONOMIC DEVELOPMENT CORPORATION**

**LAWRECE 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  
JUNE 22, 2004**