

**MANAGEMENT REPORT AND
BOARD OF DIRECTORS COMMUNICATIONS
LIVINGSTON COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
DECEMBER 31, 2006**



March 13, 2007

To the Members of the Board of Directors
Livingston County Industrial Development Agency
Geneseo, New York

Members of the Board:

This letter is intended to inform the Board of Directors about significant matters related to the conduct of the annual audit so it can appropriately discharge its oversight responsibility and that we comply with our professional responsibilities to the Board of Directors.

In addition to our report on your financial statements, we have provided, hereinto, a letter, dated March 13, 2007 concerning matters that we wish to bring to your attention that we noted during our audit of the Livingston County Industrial Development Agency (the Agency) financial statements for the year ended December 31, 2006.

The following summarizes various matters which must be communicated to you under auditing standards generally accepted in the United States of America.

The Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America

Our audit of the financial statements of the Livingston County Industrial Development Agency for the year ended December 31, 2006 was conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller General of the United States, the provisions of the Single Audit Act, OMB Circular A-133 and OMB's Compliance Supplement. Those standards, circulars, and the supplement require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error, fraudulent financial reporting or misappropriation of assets. 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. According, the audit was designed to obtain reasonable assurance about the financial statements. We believe our audit accomplished that objective.

In accordance with *Government Auditing Standards*, we have also performed tests of controls over internal control over financial reporting and tests of compliance with certain provision of laws, regulations, contracts, and grant agreements that contribute to the evidence supporting our opinion on the financial statements. However, they do not provide a basis for opining on the Agency's internal control over financial reporting or on compliance and other matters.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. Management has informed us they used all the relevant facts available to them at the time to make the best judgments about accounting estimates and we considered this information in the scope of our audit. The Agency has no significant estimates to the financial statements.

Audit Adjustments

There were eight audit adjustments, shown on the attached adjustment schedule, made to the original trial balance presented to us to begin our audit. Of the adjustments that were recorded, there were none that could, in our judgment, either individually or in the aggregate, have a significant effect on the Agency's financial reporting process.

Uncorrected Misstatements

We also accumulated one uncorrected misstatement, which was discussed with management and was determined by management to be immaterial, both individually and in the aggregate, to the opinion units of the financial statements. Therefore, the adjustment to correct this misstatement was not made to the financial statements. This uncorrected misstatement is summarized in the accompanying passed adjustment schedule.

Accounting Policies and Alternative Treatments

Management and the Board have the ultimate responsibility for the appropriateness of the accounting policies used by the Agency. The Agency did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period which should be brought to your attention for approval.

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Other Information in Documents Containing Audited Financial Statements

We are not aware of any other documents that contain the audited basic financial statements. If such documents were to be published, we would have a responsibility to determine that such financial information was not materially inconsistent with the audited statements of the Agency.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Major Issues Discussed with Management Prior to Retention

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Agency.

This communication is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Freed Maxick & Battaglia, CPAs, PC

Freed Maxick & Battaglia, PC





Freed Maxick & Battaglia, PC
Certified Public Accountants

March 13, 2007

To the Members of the Board of Directors
Livingston County Industrial Development Agency
Geneseo, New York

Members of the Board:

We have audited the basic financial statements of the Livingston County Industrial Development Agency (the Agency) for the year ended December 31, 2006, and have issued our report thereon dated March 13, 2007. This letter summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Livingston County Industrial Development Agency's financial reporting process.

In planning and performing our audit of the financial statements of the Agency as for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we consider the Agency's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain matters that we would like to bring to your attention so that you can implement corrective procedures to ensure accurate financial reporting.

BUFFALO

800 Liberty Building
Buffalo, NY 14202
716.847.2651
Fax 716.847.0069

BATAVIA

One Evans Street
Batavia, NY 14020
585.344.1967
Fax 585.344.4156

ROCHESTER

Cross Bridge Office Park, Building #4, Suite 300
2000 Winton Road South, Rochester, NY 14618
585.256.2090
Fax 585.256.2101

Take it to
the Max.

MANAGEMENT REPORT

The following comments below report on matters that we believe merit your attention:

OTHER MATTERS

Calculation of Administrative Fee Revenues

Observation

During our audit, we noted that the Agency's calculation of administrative fee revenue does not conform per their administrative fee calculation in the Agency's Project Policy Manual. Per the Agency's Project Policy Manual, the Agency charges 1% of the total project value for all projects that are affiliated with the Agency. We noted that for one of the administrative fee calculations, the Agency used 1% of the total acquisition cost only. We also noted that another administrative fee was a fixed fee with no signed agreement with the affiliated company. Per the Project Policy Manual, there is no language of agreement to fixed fees for administrative fees.

Recommendation

We recommend that the Agency review and follow their Project Policy Manual in calculating administrative fees or amend their Project Policy Manual to account for situations where a fixed fee could be agreed upon or a different rate could be used on a project.

Budget Review and Oversight by the Board of Directors

Observation

Presently, the Board of Directors does not review any comparative budget to actual reports. The review of these types of reports would provide the Board with information related to appropriation line items that are either significantly over or under expended.

Recommendation

We recommend that the Director of the Agency provide monthly comparative budget to actual variance reports for the Board's review. The analysis of these reports will assist the Board in making financial decisions.

Documentation for Cash Disbursements

Observation

We noted during our audit an instance in which a cancelled check reported on the bank statement was the sole documentation supporting a cash disbursement made.

Recommendation

We recommend that adequate supporting documentation be retained for each disbursement.

Use of dual signatures

Observation

We noted during our audit that the Agency has a policy that checks disbursed for greater than \$1,000 requires dual signatures, but we noted checks issued for less than \$1,000 with dual signatures.

Recommendation

We recommend that the Agency uses a consistent policy on dual signatures. The Agency should only require dual signatures on checks greater than \$1,000 to be consistent with the Agency's policy.

This communication is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to you.

Very truly yours,

Freed Maxick & Battaglia, CPAs, PC

Freed Maxick & Battaglia, PC



Livingston County Industriail Development Agency
Adjusting Journal Entries
12/31/2006

W/P Ref	Description	FMB Acct	Client Acct	Dr	Cr
	Accounts Receivable	120	120	2,800	
	Rental Income	4090	4090		2,800
B	1	<i>To record accounts receivable at 12/31/06. KAB</i>			
	Supplies Expense	6770	6770	800	
	Net Assets	390	390		800
SS	2	<i>To adjust net assets to PY F/S amount. WPD</i>			
	Propery & Equipment - Dansville	151	151	2,500	
	Propery & Equipment - Avon	152	152		6,969
	Propery & Equipment - Avon Rd	153	153	7,367	
	Sinage	155	155		1,384
	Sinage-Dansville	155.2	155.2	1,324	
	Sinage-Avon	155.3	155.3		320
	Accumulated Depreciation	160	160		3,689
	Depreciation Expense	6180	6180	1,171	
UV	3	<i>To adjust fixed assets to 2005 financial statements. KAB</i>			
	Mt Morris inventory	158	158	78,845	
	Property and Equipment-Mt Morris	150	150		78,845
	Dansville inventory	159	159	196,276	
	Property and Equipment-Dansville	151	151		196,276
	Avon inventory	161	161	1,135,373	
	Property and Equipment-Avon	152	152		1,135,373
UV	4	<i>To reclass land to inventory. KAB</i>			
	Net Assets (PPA)	275	390	18,935	
	Accumulated Depreciation	160	160		18,935
UV	5	<i>To record depreciation expense that wasn't recorded in prior years. KAB</i>			
	Depreciation expense	6180	6180	5,004	
	Accumulated Depreciation	160	160		5,004
UV	6	<i>To record depreciation expense for current year. KAB</i>			
	Rerant Payable	208	208	37,974	
	Grant REC	115	115		37,974
B-4	7	<i>To remove AR and AP that should no longer be recorded. KAB</i>			
	Extraordinary gain/loss	350	390	102,390	
	Accumulated Depreciation	160	160	19,498	
	Property & Equipment in Avon	152	152		97,736
	Property & Equipment in Dansville	151	151		24,152
UV-1	8	<i>To record the donation of property to other municipalities. KAB</i>			

Livingston County Industrial Development Agency
 Summary of Passed Adjustments
 December 31, 2006

W/P Ref	A/C #	Description	Balance Sheet		Income Statement	
			Dr.	Cr.	Dr.	Cr.
	6160	Professional fees - Legal Counsel			\$	4,832
	200	Accounts Payable		\$ 4,832		
144	1	<i>To accrue legal expenses incurred but not billed at end of year.WPD</i>				