

**LIVINGSTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
REPORT TO THE BOARD OF DIRECTORS**

March 24, 2008

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Freed Maxick & Battaglia, PC
Certified Public Accountants

March 24, 2008

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

Members of the Board:

We are pleased to present this report related to our audit of the financial statements of Livingston County Industrial Development Agency for the year ended December 31, 2007. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Livingston County Industrial Development Agency financial reporting process.

This report is intended solely for the information and use of the Board of Directors, audit committee 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 regarding this report. We appreciate the opportunity to continue to be of service to the Livingston County Industrial Development Agency.

Very truly yours,

Freed Maxick & Battaglia, CPAs, PC

Freed Maxick & Battaglia, CPAs, PC

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.

Required Communications

Statement on Auditing Standards No. 114 requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications.

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

Our responsibility under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, has been described to you in our arrangement letter dated January 29, 2008.

Accounting Policies

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.

Significant or Unusual Transactions

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.

Alternative Treatments Discussed with Management

We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.

Management Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates are described in Note 1 to the financial statements.

Audit Adjustments

Audit adjustments recorded by Livingston County Industrial Development Agency are shown on the attached "Summary of Recorded Audit Adjustments."

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.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Difficulties Encountered in Performing the Audit

We did not encounter any difficulties in dealing with management during the audit.

Letter Communicating Significant Deficiencies and Material Weaknesses

We have separately communicated the significant deficiencies and material weaknesses identified during our audit of the financial statements, and this communication is attached as Exhibit A.

Certain Written Communications Between Management and Our Firm

Copies of certain written communications between our firm and the management of the Agency are attached as Exhibit B.

Exhibit A
Letter Communicating Significant Deficiencies and Material Weaknesses

In planning and performing our audit of the statements of financial position of the Agency as for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered 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 a control deficiency and other matter that we would like to bring to your attention so that you can implement corrective procedures to ensure accurate financial reporting. 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.

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.

CONTROL DEFICIENCY

Recording Grant Revenue and Expenditures

Observation

During our audit we noted that the Agency misclassified the receipt of grant funds as an offset to the expenditure of regrants, instead of recording the receipt as state aid revenue.

Recommendation

We recommend that the client implement controls to ensure that all revenues and expenditures are recorded in the Agency's books on a gross basis.

OTHER MATTERS

Calculation of Administrative Fee Revenues

Observation

During our audit, we noted that the Agency's calculation of administrative fee revenue did not conform to their administrative fee calculation policy in the Agency's Project Policy Manual. Per the Agency's Project Policy Manual, the Agency should charge 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 .5% of the total project value.

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.

We have previously discussed these items with members of management. Should management wish to discuss any of our comments or recommendations further we would be pleased to do so.

Exhibit B - Certain Written Communications Between Management and Our Firm

Livingston County Industrial Development Agency
 Summary of Audit Adjustments
 12/31/2007

Description	FMB Acct	Client Acct	Dr	Cr
Grant-multimodal	4100	4100		563,644
Regrants	6240	6240	563,644	
1 <i>To record Grant revenue and expense in current year-KAB</i>				

LIVINGSTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY
6 COURT STREET, ROOM 306
GENESEO, NEW YORK 14454

March 24, 2008

Freed Maxick & Battaglia, PC
One Evans Street
Batavia, New York 14020

In connection with your audit of the basic financial statements of the Livingston County Industrial Development Agency (the Agency) as of and for the year ended December 31, 2007, we confirm, that we are responsible for the fair presentation in the financial statements of financial position, changes in financial position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

We confirm to the best of our knowledge and belief, as of March 24, 2008 the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We are a component unit of Livingston County as this term is defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting.
3. We have identified for you all of our identifiable business-type activities.
4. We have properly classified all funds and activities.
5. We are responsible for compliance with laws and regulations applicable to the Livingston County Industrial Development Agency including adopting, approving, and amending budgets.
6. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts including legal and contractual provisions for reporting specific activities in separate funds.
7. We have made available to you:
 - a. All financial records and related data of all funds and account groups, including those of all special funds, programs, departments, projects, activities, etc., in existence at any time during the period covered by your audit.

- b. All minutes of the meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.
8. We have no knowledge of fraud or suspected fraud affecting the Agency involving:
 - a. Management or employees who have significant roles in the internal control.
 - b. Others where the fraud could have a material effect on the financial statements.
9. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
10. We have no knowledge of any allegations of fraud or suspected fraud affecting the Livingston County Industrial Development Agency received in communications from employees, former employees, analysts, regulators, or others.
11. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the entity's ability to record, process, summarize, and report financial data.
12. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
13. We know of no violations of state or federal statutory or regulatory provisions, grant or other contractual provisions, or of provisions of local ordinances.
14. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
15. The following have been properly recorded and/or disclosed in the financial statements:
 - a. All significant estimates known to management which are required to be disclosed in accordance with the AICPA's Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Significant estimates are estimates at the balance sheet date which could change materially within the next year.
 - b. Special and extraordinary items.
16. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made to reduce receivables to their estimated net collectable amounts.

17. There are no:

- a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
- b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
- c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.
- d. Related party transactions, including those with other organizations for which the nature and significance of their relationship with Livingston County Industrial Development Agency are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, as defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards.
- e. Guarantees, whether written or oral, under which the Agency is contingently liable.
- f. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
- g. Lines of credit or similar arrangements.
- h. Agreements to repurchase assets previously sold.
- i. Security agreements in effect under the Uniform Commercial Code.
- j. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
- k. Contractual obligations for construction or purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
- l. Liabilities which are subordinated in any way to any other actual or possible liabilities.
- m. Leases or material amounts of rental obligations under long-term leases.
- n. Authorized but unissued bonds and/or notes.

- o. Risk financing activities.
 - p. Impairment of capital assets.
 - q. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
 - r. Debt issue provisions.
 - s. Deposits and investment securities category of custodial risk.
18. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.
 19. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private.
 20. We have satisfactory title to all owned assets.
 21. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
 22. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) are properly classified.
 23. Expenses have been appropriately classified in the Statement of Activities.
 24. Revenues are appropriately classified in the Statement of Activities.
 25. Capital assets are properly capitalized, reported, and depreciated.
 26. Required supplementary information is properly measured and presented.
 27. We are responsible for and have reviewed and approved the proposed adjustments to the trial balances identified during the audit, which are included in the summarized schedule of posted adjustments and will post all adjustments accordingly. We have reviewed, approved, and are responsible for overseeing the preparation and completion of the basic financial statements and related notes.
 28. As part of your audit, you prepared the draft financial statements and related notes and supplementary information. We have designated a competent management-level individual to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted

responsibility for those financial statements and related notes and supplementary information.

29. We are not aware of any internal control weaknesses or reportable conditions (other than those reflected in your internal control letter dated March 24, 2008) that should be reported. We are responsible for establishing and maintaining effective internal control over financial reporting.

No events or transactions have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial statements.

During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

We reaffirm the representation made to you in our letter dated March 13, 2007 with respect to the financial statements as of or for the year ended December 31, 2006.


Patrick Rountree

Executive Director
Title

Livingston County Industrial Development Agency
Summary of Audit Adjustments
 12/31/2007

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